



**REPÚBLICA DE MOÇAMBIQUE
MINISTÉRIO DA ENERGIA**

**OPENING REMARKS
BY
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REPUBLIC OF MOZAMBIQUE**

**AT THE
HIGH LEVEL SEMINAR ON ENERGY POVERTY IN OIL AND GAS RICH
AFRICAN COUNTRIES**

Maputo, Mozambique 12th May, 2008.

Your Excellency the Ambassador of the Kingdom of Norway in the Republic of Mozambique;

Mr. Director of International Energy;

Distinguished participants;

Ladies and Gentlemen:

First and foremost on behalf on the Government of Mozambique, we would like to express our great satisfaction for having accorded us this opportunity to host this Seminar *on Energy Poverty in Oil and Gas Rich African Countries* in Maputo the capital City of Republic of Mozambique. we would like extend our warmest greetings and welcome to all the distinguished participants,

You are sincerely welcome to enjoy the good and best that our city offers you during your stay, but sure that it will serve as reward to the success of the important discussions that will take place during this important event.

This Seminar is extremely important and for us it represents a reason to be proud, considering the strategic relevance of the World Energy Outlook as an important source in the mid and long term planning process in the context economic and social development of our countries.

Energy is an important pre-requisite for socio-economic growth, the uplifting of the peoples' living standards and therefore, for the attainment the MILLENIUM DEVELOPMENT GOALS. It is encouraging that energy is today in a central

agenda item in our regional and international cooperation, a driving force for global partnership between governments, private sector, researchers, civil society and international organizations economic development

It is therefore, for me, both an honour and a daunting challenge to address such an expert audience on the vast subject on energy security, trade, environment and policies. Even so, It is therefore, my privilege and honour to take this opportunity to address this distinguished audience, and share with everyone my humble vision and experience on important issues pertaining the energy sector, I am glad to share my humble thoughts in this important exercise. While markets, geopolitics and energy security are going to remain critical issues in shaping our energy future, more and more they will be joined by the question of sustainability.

The availability of modern sources of energy to meet the development requirements is today a key topic in international debates, given the rapid and continuous increase in demand, associated with the need to ensure energy security through a sustainable development and use of energy resources.

It is today a well established fact that, no country in the world is so self-sufficient that it can keep itself apart from the required joint efforts aiming to find the most appropriate solutions to the current challenge of energy supply security and sustainability.

All countries, including those with a huge energy resource base particularly oil and gas, as well as those with less energy potential, some of them characterized by high asymmetries of economic nature and technology capabilities, must

today, more than ever, share common and individual responsibilities to overcome the challenges facing the energy sector.

The event starting today whose topic is on: “Energy Poverty in Oil and Gas –Rich Countries, aims at finding contribution on efficient use and better management of energy natural resources which will demand from us different actions within each country, as well as at international cooperation level.

Ladies and Gentlemen:

Evidence show that, despite Africa’s enormous fossil and renewable energy resources, natural gas and oil, and economically exploitable hydropower potential, Paradoxically, we continue to experience the lowest rates of access to the conventional and cleaner sources of energy in the world, Africa is the least consumer of these energy sources in the world, while energy is a decisive factor to:

- Drive forward the socio-economic development;
- Contribute in the poverty alleviation; and
- Improve the living standards of our peoples.

It is fact that, exploiting all these existing natural sources to benefit most Africans and thereby increasing the continent’s overall net productivity so that the standard and quality of life of majority Africans can be greatly improved require the development and availability of sources including capital investment, know how and technology transfer

Poverty can be geographically located, its multiple consequences go beyond the national borders. Therefore, the prevalence of the current situation of energy scarcity, in a phase where we witness great advances in the technological development of building of environmental friendly energy infrastructures, it is neither defensible nor justifiable.

Ladies and Gentleman

The overview of the oil and gas sector shows the different resources in the continent including the trends in exploration activities and the various actors that have been involved within the past 20 or more years. The state of refineries and its ability to satisfy the needs of the region is other challenge with respect to the production of oil and gas.

The challenges facing the oil and gas sector are different for oil-producing countries and oil-importing countries, though some commonalities do exist. The institutional arrangements are quite different. Though most African countries now are exploring for oil and gas, but the actors are different from those producing, the extremely poor negotiating capacities within the continent for exploration, production and supply are among the major barriers for African countries to use oil and gas resources to fight against poverty. The impact of the current volatile oil prices is a serious concern for the fragile oil-importing countries in the continent.

Since these prices are closely linked with gas prices, impacts are also felt by a number of African countries. Despite some development is taking place in a few African refineries, but the simplicity and limited capacity of African refineries is

a major concern for energy security . Procurement procedures by oil-importing countries are still over-burden with their past colonial linkages costing these countries significant foreign exchange earnings that could be saved. Rising demand for oil and gas as countries satisfy their development desires can create a major challenge for the continent if not well planned. The very nature of African countries with small dis-jointed markets, only trade and cooperation will lead to optimal benefits. The challenge of African countries to cope with the rising interests of major world powers and multi-nationals needs urgent attention. The environmental challenges for local and global perspectives including impact of climate change, just to mention some!

The strategic policies in this area include areas such as exploration, production especially with relation to local development, refinery development, capacity building in the entire oil and gas chain, procurement schedule for oil-importing countries, institutional development, R&D enhancement, and environmental mitigation, including measures that have to do with increased efficiency and power saving production methods, namely:

- Support the operationalization and expansion of the African Petroleum Fund;
- Maximize petroleum revenues for economic diversification and social investments;
- Develop human and institutional capacities including R&D through collaboration within and outside the continent. Negotiating capacities need special attention;
- Establish mechanisms to promote intra-Africa trade of oil and gas;
- Utilize best practice to develop exploration, production, distribution and marketing of the oil and gas sector

Africa is in the midst of an oil and gas boom that is attracting major external interests and financial investments, therefore the transformation of this natural in the benefit of the African citizens impose many challenges among others:

- Managing the Geopolitics of external interests;
- Coping with High and fluctuating oil prices by oil-importing countries;
- Eliminating Gas flaring for power production and industrial needs ;
- Limited refinery capacity to meet demand;
- Poor management of revenues and corruption by oil-exporters;
- Managing the domination by large international companies;
- Weak local technical capacity

Distinguished participants;

Ladies and Gentlemen:

Mozambique has proven reserves of gas in the onshore Pande and Temane gas fields. Part of these reserves has been developed for export to South Africa through a pipeline commissioned in 2004.

Recent exploration indicates that there are additional reserves of gas in Mozambique and plans are underway to study utilisation these. One option being studied is a combined cycle plant for power generation.

Offshore exploration of oil and gas is presently carried out under concessions recently awarded. The Mozambique-South Africa 800 km gas pipeline has been developed and is currently in operation;

Another area of critical importance is that of biofuels. The Government of Mozambique decided to embark upon the promotion of biofuels production in the country with the aim of responding to our National Agenda of Poverty Alleviation, especially in rural areas, as well as providing a response to high, unpredictable and volatile oil prices on the world markets. Being Mozambique a net oil importing country which doesn't even have any refining capacity or the necessary financial muscles to keep large reserves of fossil fuels, the country was severely hit by the recent sharp increase in oil prices without any immediate means of mitigating its impact on the economy in general, and on the poor in particular.

Our decision to embark on a programme aimed at the production of modern bio-energy systems and fuels, was based upon our perception of the following biofuels benefits: **i)** They can be used to substitute conventional forms of energy with no or minimal technological adaptation; **ii)** They are labour intensive, and can create agricultural and agro-industrial employment, self-employment, and income; **iii)** Mozambique has 36 million hectares of arable land, of which only 9% is being used, with the possibility of using an additional 41.2 million hectares of marginal land for crops like *jatropha curcas*, giving people in the rural areas the opportunity to generate an income out of a land that did not produce anything at all; **iv)** We have abundant and highly disciplined labour and water with which to produce bio-fuels without threatening food production and food security; **v)** We have identified potential markets for surplus bio-fuels, in particular, bio-ethanol, in a number of countries in the region as well as in Europe.

In the energy sector the existing potential also includes the technical hydroelectric potential of Mozambique estimated at 12.500 MW. The largest portion of the hydropower potential is located on the Zambezi River at sites such as Cahora Bassa, Mphanda Nkuwa, Boroma and Lupata. Here, the only potential that has been developed is Cahora Bassa south bank, commissioned in 1975, with an installed capacity of 2,075 MW now owned by Mozambique Government (85%) and Portugal (15%), since the conclusion of its reversion process on the 27 November 2007.

Mozambique's electricity sector is characterized by 2.300MW generation capacity, of which 2.200MW is hydro, 6.572km of transmission lines, 500.000 consumers (around 10% access to electricity, from 7% three years ago), and 350MW peak load.

The top priority projects currently being promoted by the Government comprise the following:

- i. The **Tete-Maputo 1,500km (400kV), transmission line**, also known as the North South Backbone Transmission Line (NSBT), estimated at 1.600 MUS\$, to be developed as a PPP on a BOT basis. It is justified by the fact that our southern system (which includes the major load centers in and around Maputo City) is not connected to the central and northern systems, which are interconnected. All the power consumed in the south must transit by South Africa through the existing Songo-Apollo HVDC transmission line, which is a major inconvenience. On the other hand, the other important load centers are located along the coastal area, and they need to be fed by this backbone transmission line. It is our top priority in terms of our cooperation with the World Bank and other multilateral or bilateral development partners because, being a basic infrastructure, our national electricity utility (EDM) must be the majority shareholder (at least 51%), and the concessional financial assistance of the Bank and other multilateral or bilateral development partners is critical for its success. Up to 49% of shares in this Project are available for the participation of the private sector, both domestic and foreign.

ii. **Three IPPs to be developed as PPP**, to be initiated between the end of current year and 2009, with a view to meeting the growing power demand in Mozambique and the deep and severe shortage of power in Southern Africa. Our national electricity utility (EDM) participates in the development of these Projects as a minority shareholder. They are regional projects by nature. The joint generation capacity will be between 3,750MW and 4.000MW, and the combined investment is estimated at 5.300 MUS\$. Since none of them has reached the financial close as yet, they remain open for the participation of anyone who wishes to do so through the implementing consortia. Our task today is to tell you that, considering the current situation and the prospects for addressing the power shortage crisis in Southern Africa, all of them are very good. These are:

- a. The **Mphanda Nkuwa Hydroelectric Power Project**, 60km downstream of Cahora Bassa, with a total capacity of 2.400MW to be developed in two phases. Phase I, with a total capacity of 1.500MW, is now being implemented by a Consortium composed of Camargo Corrêa (Brazil), EDM (Mozambique), and Energia Capital (Mozambique), with which the Government of Mozambique signed a Framework Agreement in December 2007. Apart from power generation needed for power intensive projects in Mozambique and for the mitigation of the energy crisis in the region, it will also contribute to the management of the Zambezi River hydrology through a better control of floods and droughts. Its cost is estimated at 1.500 MUS\$.
- b. The **Moatize Coal Fired Thermal Power Project**, with a total capacity of 2.400MW to be developed in two phases, next to the site of the Moatize Coal Mine Project. It will be using the coking coal that will result from the exploration of the coal mines for power generation. Phase I with a total capacity of 1.500MW is being implemented by a Consortium composed of AES (USA), EDM (Mozambique), and Whatana (Mozambique), with which the

Government of Mozambique signed a Framework Agreement in December 2007. Its cost is estimated at 2.800 MUS\$.

- c. The **Temane Combined Cycle Natural Gas Fired Thermal Power Project** for 750-1.000MW. Its cost is estimated at 600 MUS\$. A Consortium composed of Suez International (France), EDM (Mozambique), and INTELEC Holdings (Mozambique) concluded a Project Joint Development Agreement, and it is now proceeding with the negotiation of the Gas Supply Agreement with SASOL. The commissioning of this Project is expected to take place in 2010;
- d. **Chicamba and Mavuzi Hydroelectric Projects** (rehabilitation), with a joint capacity of 100MW. It is the property of EDM, the national utility company, and a joint development agreement with a Norwegian company has been concluded. Negotiations towards financial close are underway. Any participation is only possible through dialogue with the implementing Consortium. The total cost of the project is 39 MUS\$.

Ladies and Gentlemen,

The natural resource based opportunities that Mozambique offers would not attract investors by themselves. They had to be backed by a consistent and coherent program of reforms to ensure macroeconomic stability and efficient fiscal management, public sector and financial reforms, investment climate improvement, and the ongoing reform of the judicial system.

They have equally been strongly supported by positive political developments, which led to the prevailing peace and political stability, consolidation of democracy and democratic institutions, as well as the establishment and functioning of an appropriate framework to fight corruption, with the involvement of the civil society.

It is encouraging to note that our reform efforts are beginning to gain recognition from the international community. According to the World Bank report “Doing Business 2006”, Mozambique has gained 6 position points in the ranking from position 140 to 134 in a period of one year! We remain committed to the acceleration of these reforms in the future because we want to be in a much better position. Why not among the top 10?!

I Thank you for the attention and for inviting me!