

Exclusive-Galp to hold off on LNG investment until Mozambique ensures security

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Portugal's Galp Energia , a partner in an Exxon Mobil-led gas consortium in Mozambique, will not invest in onshore plants there until authorities guarantee security and social stability, which may take time, CEO Andy Brown told Reuters.



A Galp Energia refinery is seen near Sines, file. Reuters/Rafael Marchante

This marks a second setback to Mozambique's hopes to develop a major liquefied nature gas (LNG) hub in the coming years after TotalEnergies suspended its own, separate LNG project in the country.

Attacks by militants in northern Mozambique's Cabo Delgado region, near the \$30bn Rovuma liquefied natural gas project, have forced hundreds of thousands of people to flee the area.

The Mozambican government has said it expects the consortium to take the final investment decision, already postponed from 2020 due to the coronavirus pandemic, this year.

But the CEO of Galp, which has a 10% stake in the consortium, told Reuters on Monday his company did not include investments in Rovuma's onshore facilities in its net capital expenditure plan for the next five years.

"It means that at the moment it's very hard for us to predict when the time to invest will be," Brown said.

"Last year we were really planning to have built Rovuma by 2025 and I don't want to make a promise on Rovuma and then disappoint the market again," he said.

"We continue to monitor security developments in the region," said Exxon spokesperson Todd Spitler, adding that the company is working with the government of Mozambique "to enable development of this world class resource."

The other major partner, Italy's Eni, declined to comment.

"Before Galp starts investing in the project, the government needs to work with the local population to create the right kind of stability and social cohesion, as well as security, on the ground... That may take a while," Brown said.

Brown said that once France's TotalEnergies, which stopped construction of a separate LNG project near Rovuma due to the latest attacks in March and is working with Mozambique to ensure stability in the area, has reliably resumed the work, "we will be in a position to consider our own project".

Despite the setbacks, Mozambique with its attractive gas projects is "a really important country for Galp", Brown said, and the consortium is "working to get the cost to a level where this project is really competitive".

Brown said that over the next five years, Brazil will absorb "the vast majority" of the 320 million to 400 million euros (\$388 million to \$485 million) of net capex which Galp has allocated to upstream annually, while there will be "some investment in floating LNG in Mozambique and some small investments in Angola".

The investments in Brazil will be "mostly allocated to already sanctioned developments, including the Bacalhau I," he said.

Additional reporting by Stephen Jewkes and Jennifer Hiller

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