

Rovuma LNG project promises to transform Mozambique's economy

An [independent macroeconomic study](#) demonstrates the potential of the first phase of Area 4's Rovuma liquefied natural gas (LNG) project to transform Mozambique.



Once developed, the 15.2 million tons per annum project, expected to attract between \$27-32bn in investment, will monetise 2.6-billion cubic feet per day of Mozambique's offshore LNG resources, add \$15-18bn per annum to Mozambique's gross domestic product (GDP), and drive Mozambique towards being, in time, the world's fourth largest producer of LNG.

"The first phase of Rovuma LNG has the potential to transform the Mozambican economy and turn the province of Cabo Delgado into one of the world's fastest growing regions, with every prospect of developing supporting industrial and agricultural value chains," says Dele Kuti, head of oil and gas for Standard Bank Group.

The successful development of Rovuma LNG could place Mozambique in pole position to become a long-term leading supplier of LNG to some of the world's largest economies, including China, as they deepen fuel-switching policies aimed at replacing coal with cleaner gas as an energy source.

The Rovuma LNG project's first phase is targeting a final investment decision in 2019.

Depending on capex scenarios, Rovuma LNG Phase 1, in addition to GDP growth, is expected to, "increase annual gross

national product by \$10-14bn, while contributing \$4-5bn per annum in government revenues over the next 25 years,” says Paul Eardley-Taylor, head of oil and gas, Southern Africa, for Standard Bank. Rovuma LNG is also expected to increase Mozambique’s projected real growth rate from 4% to between 4.8% and 5.4% (depending on scenario).

Job creation

From an employment perspective, it is anticipated that Rovuma LNG will employ approximately 20,500 construction workers and 1,300 operational workers. The project’s activities are also expected to create many more additional employment opportunities from various value chain and reinvestment activities associated with the support, supply and profits arising from the commercial operation of Rovuma LNG.

Global supply potential aside, Rovuma LNG will form the nucleus of what will be, in time, a substantial domestic gas industry in Mozambique. This industry is also expected to have broader regional supply potential.

“It is anticipated that the development of a domestic gas industry in Mozambique will help the government achieve its vision of having a domestic gas sector running parallel to its LNG export capability. This will drive broader national development and social transformation, especially with regard to domestic small and medium-sized enterprise formation,” says Eardley-Taylor.

On a cautionary note, the study calculates that any delays to Rovuma LNG would have a negative economic impact upon achieving the targets currently projected. To mitigate this risk, the Rovuma LNG study makes several recommendations.

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