

MOZAMBIQUE 453

News reports & clippings

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Chevron buys Anadarko for \$33 bn - but Mozambique a small part of the deal

US oil major Chevron swallowed up Anadarko on Friday, but the US press stresses it is mainly to obtain Anadarko's interests in shale gas and and Gulf of Mexico oil. Anadarko's part of Mozambique's giant gas field off Cabo Delgado is just a small part of the deal.

But after discussing other issues, Chevron CEO Michael Wirth told CNBC yesterday that "Anadarko has a great LNG project in Mozambique [which] fits nicely into our portfolio. We think LNG is a good business to be in in the long term, as the world looks for a cleaner energy mix, particularly for power generation." <https://cnb.cx/2KlvWtc>

The deal is expected to close in the second half of the year, but it still needs approval from Anadarko shareholders and regulators. Chevron bought the entire company for \$65 per share, 39% above its Thursday stock market value. It also takes over \$15 bn of Anadarko debt. But even with the offer price being so much about the previous stock market value, many commentators said Anadarko was so under valued that it was a "bargain". Anadarko shares had fallen from a high of \$75 last year to a low of \$42 this year. So alternative bids are now possible. Bloomberg reported that Occidental Petroleum had earlier bid more than \$70 a share for Anadarko, and might bid again.

Michael Wirth took over as Chevron's chief executive 14 months ago, and announced an aggressive expansion of Texas and New Mexico shale gas. Thus the main reason from the take-over is to take Anadarko's large shale gas areas. Anadarko was also among the largest operators in Texas shale gas and had developed a network of pipelines and processing capacity in the region that Wirth said were particularly attractive. As well as having adjoining shale gas land, the two companies have adjoining oil production areas in the Gulf of Mexico.

Shale drilling - extracting oil and gas from rock formations - has turned the US into an oil and gas exporter. Small, independent drillers pioneered US shale production, but the new rule is "the shale game is a scale game," Wirth told CNBC. Industry has refined

technologies such as hydraulic fracturing and horizontal drilling, and can now extract oil and gas from huge areas from a single central point, making it sensible to merge concession blocks.

The deal makes Chevron on the big three oil giants, just behind Exxon Mobil and Shell.

Chevron head: "We like Mozambique"

Mozambique will be hoping for a substantial capital gains tax windfall, but must expect a long negotiation around valuing the part of the \$33 bn paid, the \$15 bn debt, and the investment so far that applies to Mozambique. With approval of the deal months away, any capital gains tax payment will be in 2020 or 2021.

Anadarko is the operator for Offshore Area 1 and it will pipe the gas to the Afungi peninsula near Palma, Cabo Delgado, where it plans to build a giant gas liquefaction plant. Anadarko has recently signed major liquefied natural gas (LNG) contracts with Asian buyers and was expected to announce its final investment decision (FID) this month.

US commentators have offered differing views on the impact in Mozambique. Wirth told the *Wall Street Journal* "We like the Mozambique resource", which suggests Chevron will want to rush ahead to have LNG production in 2024 as planned, to have the gas on the market before rival Exxon Mobil, which will also be piping gas to its own gas liquefaction plants on the Afungi peninsula.

Other commentators point to potential problems with Exxon Mobil, which also shares one of the gas fields with Anadarko. This is known as a "straddle": exploration licences were issued for off shore of Cabo Delgado at a time when, by definition, nothing was known about what was there. It was found that a single gas field straddled the exploration areas of Anadarko (Area 1) and ENI (Area 4). It took a long negotiation to sort out how the gas is to be shared. Exxon Mobil has taken over as operator of ENI's Area 4.

Anadarko is the operator for Area 1 and its first onshore LNG development is planned to have the capacity to produce 12.88 million tonnes of LNG per year. Anadarko planned to expand to 50 million tonnes a year.

Anadarko holds a 26.5% interest in Area 1. Its partners are ENH (the government owned National Hydrocarbon Company, 15%), the Japanese company Mitsui (20%), the Indian companies ONGC Videsh Ltd, Beas Rovuma Energy Mozambique Ltd and BPRL Ventures Mozambique (with 10% each), and PTTEP of Thailand (8.5%).

In Area 4, the Italian company ENI holds 25%, with its partners being Exxon Mobil (25%), China National Petroleum Corporation (20%), Kogas of South Korea (10%), Galp Energia of Portugal (10%), and ENH (10%). This project is being led by Exxon Mobil and will be larger than Anadarko's, producing 15.2 million tonnes of LNG per year.

But the first LNG production should start in 2022. ENI is already building \$5 bn floating LNG plant which will be 80 km off shore and should start producing 3.4 million tonnes of LNG per year in 2022.

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Background reading

Special reports

Mozambique heroin transit trade

English - LSE - <http://bit.ly/Moz-heroin>

Portuguese - Pt - CIP - <http://bit.ly/Moz-heroina>

Gas for development?

Gas_for_development_or_just_for_money?_2015 bit.ly/MozGasEng

Gás_para_desenvolvimento_ou_apenas_dinheiro?_2015 bit.ly/MozGasPt

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: bit.ly/MozPoverty

2018 Constitution - <http://bit.ly/2KF588T>

Minimum wage and exchange rates 1996-2018 -- <http://bit.ly/MinWage18>

\$2bn secret debt - in English

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz-full>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

In Portuguese:

Parliamentary Report on the Secret Debt (complete) bit.ly/MozAR-debt

Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

Eight books by Joseph Hanlon can be downloaded, free: <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014)

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

Two more will be available shortly to download:

Apartheid's 2nd Front (1986)

Mozambique and the Great Flood of 2000

These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

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