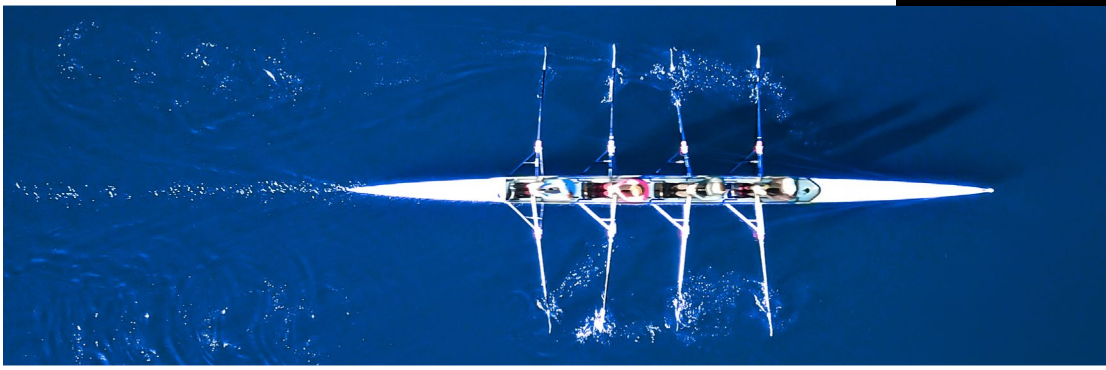

JUL. 26

MOZAMBIQUE

NEWS

ENERGY AND NATURAL RESOURCES

New Local Content law

Law 9/2026 of 3 June

Mozambique has approved a dedicated Local Content Law for petroleum and natural gas projects implemented under the Petroleum Law. Law 9/2026 of 3 June, establishes a structured framework for procuring goods and services, employing Mozambican labour, developing national suppliers and transferring knowledge within the petroleum value chain.

The new law marks a shift from broad local participation objectives to a fully-fledged and significantly more comprehensive operational compliance framework. In doing so, it provides much-needed regulatory clarity in an area that has historically been characterised by a degree of uncertainty due to the absence of a dedicated local content regime.

The new law now expressly regulates key aspects of local content compliance, including mandatory procurement and human resources planning, supplier certification, preferential and exclusive procurement rules, and restrictions on subcontracting. It also establishes a dedicated Local Content Authority with supervisory and sanctioning powers.

The new Local Content Law should be read alongside the new Petroleum Law, approved on the same date, as part of a broader legislative package intended to reinforce economic sovereignty, national participation and the domestic capture of value generated by Mozambique's petroleum resources.

Among the main new features, we highlight the following:

- **Scope and supply-chain application:** The law applies to holders of rights to carry out petroleum operations, concessionaires, third parties executing petroleum operations, special purpose entities directly or indirectly established by concessionaires, and entities contracting with them. Covered entities must ensure, through contractual mechanisms, that their subcontractors comply with applicable local content obligations. Failure to do so may result in joint liability, the terms of which are yet to be determined. Subcontracting arrangements entered into by private employment agencies are excluded from the scope of the law.

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MOZAMBIQUE

- **Creation of the Local Content Authority:** The law creates the Local Content Authority, which is a public law entity with administrative, financial and patrimonial autonomy. It is under the supervision of the minister responsible for the petroleum sector. The Authority is the central body responsible for regulating, coordinating, supervising, sanctioning and deciding on matters relating to the implementation of local content. The Council of Ministers must approve its statute and operating framework within 90 days of publication of the law.

- **Regulatory and supervisory powers:** The Local Content Authority will be responsible for approving procurement plans, monitoring and auditing local content performance, accrediting certification entities, maintaining the supplier registry, preparing local content metrics, supervising reporting obligations and enforcing compliance. Ordinary inspections require at least seven business days' prior written notice, while extraordinary inspections may be carried out without prior notice if there are concerns that legal requirements may have been breached. Audits require 30 days' prior written notice.

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- **Procurement architecture:** The law establishes three procurement regimes: preference, exclusivity and free market. The preference regime favours Mozambican individuals and companies, entities with a higher proportion of Mozambican shareholding, suppliers that use domestic production factors, and entities with a higher Mozambican payroll. The exclusivity regime applies to goods and services identified in the annex to the law, provided the relevant local production, shareholding and payroll criteria are met. The free market regime applies where the requirements for preference or exclusivity are not met, particularly in relation to contracts involving technology, patents or special technical requirements.

- **Price preference for Mozambican suppliers:** A key feature of the preference regime is the 20% price margin. Qualifying Mozambican suppliers may be given preference where their price, including taxes, is no more than 20% higher than the lowest comparable price submitted by a qualified foreign supplier. Where goods or services cannot be acquired in Mozambique, the contracting entity must submit evidence of the difficulty or impossibility of local acquisition and propose measures to integrate Mozambican suppliers in subsequent years.

- **Exclusive procurement requirements:** Goods and services subject to the exclusivity regime must be acquired in Mozambique, provided that the applicable requirements are met. These include, cumulatively, production or provision using at least 80% national production factors, production or provision by Mozambican companies with at least 20% of share capital held by Mozambican persons, and a workforce composed of at least 50% Mozambican employees. The relevant categories are set out in the annex to the law and may be updated by decree of the Council of Ministers.

- **Business partnerships and Mozambican participation:** The law encourages business partnerships for the supply of goods and provision of services to covered entities. Partnerships between Mozambican persons benefit from preference. Partnerships involving foreign entities are preferred where they include greater Mozambican participation. For local content purposes, business partnerships must have a minimum threshold of 20% of share capital held by Mozambican nationals. This will be an important consideration for foreign suppliers seeking to access petroleum and gas procurement opportunities.

- **Subcontracting restrictions:** Subcontracting is permitted if the subcontractor complies with local content requirements, applicable safety and quality standards and Mozambican law. However, a supplier that has benefited from the regimes established under the law may not subcontract the entire supply of goods or services without the express authorisation of the Local Content Authority. Such authorisation requires technical justification and evidence that national capacity is not available, under terms which are still to be regulated. As a rule, subcontracting requests must be submitted to the Authority six months in advance, except in cases of proven urgency.

- **Local content metrics:** The law adopts the following formula for calculating local content: % LC = (1 – IC / PV) x 100, where IC corresponds to imported components and PV to the global production value. Imported components include imported raw materials, depreciation of imported goods, interest paid abroad, and salaries paid to foreign workers, as well as other expenses that do not fall within the domestic market. The law also assigns qualitative weighting to local production, share capital and national workers, with local production carrying the greatest weight.

- **Mandatory procurement plans:** Entities responsible for covered projects and undertakings must prepare and submit procurement plans to the Local Content Authority by 31 December of the year preceding implementation. These plans must be specific to each project or undertaking and must include details of estimated opportunities and activities, implementation schedules, budgets, procurement of goods and services, national workforce planning, training and knowledge transfer measures, supplier development programmes and the expected contracting of financial consultancy, legal and accounting services. This express reference to professional services is particularly relevant for the structuring of advisory teams in petroleum projects.

- **Certification of local suppliers:** Goods and services with national components are subject to certification by entities accredited by the Local Content Authority. A Mozambican individual or company will only be classified as a national supplier of goods and services if they hold the relevant certificate issued by an accredited entity. Certification will therefore be central to supplier qualification and procurement compliance.

- **Human resources development:** Covered entities must submit Human Resources Development Plans to the Local Content Authority. These plans must address workforce requirements, the integration of Mozambican personnel, the transfer of petroleum sector knowledge and management experience, training, career development and the inclusion of Mozambicans in project management positions. The Authority must also be provided with an annual report on the implementation of these plans.

- **Community benefit and localised impact:** Annual local content reports must include a Community Benefit Index, based on indicators such as direct jobs created by district, expenditure with suppliers based in the province where the project is located, new SMEs created in connection with the project and investment in professional training in the project area. The law also provides that 30% of goods under the exclusivity regime must come from the province where the project operates, and that 15% of semi-skilled jobs must be reserved for residents of the affected districts, provided there is capacity.

- **Competitive tender is the default rule:** The acquisition of goods and services must, as a rule, be carried out through a competitive tender process. Direct award is only permitted in exceptional circumstances, such as when there is a single provider, when there is proven urgency due to unforeseen events, or when the services are complementary to an existing contract and changing supplier could interrupt essential services. Contracts for the acquisition of goods and services must include a local content clause.

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Entities responsible for covered projects and undertakings must submit an annual report to the Local Content Authority by 30 April of the following year.

- **Reporting obligations:** Entities responsible for covered projects and undertakings must submit an annual report to the Local Content Authority by 30 April of the following year. The report must describe the level of implementation of the approved procurement plan, the results achieved and the improvement strategy. This reporting obligation will be a key compliance tool, particularly given the sanctions applicable for late or incomplete reporting.

- **Compensatory measures for local content shortfalls:** Where an entity is unable to meet, in whole or in part, the minimum local content targets established under concession agreements, local content plans or applicable legislation, it must submit a duly substantiated Compensatory Measures Plan to the Local Content Authority within 30 days after the end of the relevant reporting period. This plan must include at least two qualifying initiatives, such as technology and knowledge transfer programmes, funding for the training and certification of Mozambican suppliers, business partnerships involving a minimum of 20% Mozambican shareholding, the establishment of technical training centres or incubators, or community development projects in areas where the entity operates. The Authority must decide on the plan within 30 days, failing which the plan will be deemed tacitly approved. Implementing compensatory measures does not exempt an entity from liability for non-compliance with its local content obligations. Failure to implement approved measures constitutes a separate infringement that is subject to sanction.

- **Sanctions and enforcement risk:** The law introduces a significant sanctions framework. Administrative offences include failure to acquire goods or contract services with the required local content, contract splitting, breach of procurement procedures, failure to include a local content clause, failure to provide information on procurement plans, late submission of procurement plans or reports, and general breach of the law. Sanctions may include the loss of tax benefits, the cancellation of concession contracts, exclusion from future tenders, fines ranging from USD 50,000 to USD 300,000, and, in cases involving false or misleading information in the performance of local content contracts, fines ranging from 1% to 10% of the relevant contract value.

- **Accessory sanctions and recurrence:** In addition to monetary penalties, the law provides for accessory sanctions, including prohibition from carrying out activities for a period of six months to two years, suspension of project or undertaking authorisations, and prohibition from entering into new concession contracts until the relevant obligations are complied with. Recurrence is punishable by double the penalty previously applied.

- **Transparency and publication obligations:** The Local Content Authority must maintain a public portal through which it publishes approved procurement plans, certified national suppliers and annual service category listings. This mechanism is intended to increase the visibility of procurement opportunities and enhance the transparency in the implementation of the local content regime.

Outlook and investor considerations

Law 9/2026 represents a significant development in Mozambique's regulatory framework for the petroleum and gas industries. Local content is no longer treated merely as a policy objective or a broad contractual commitment. Instead, it is now framed as a procurement, certification, planning, reporting and enforcement regime, which has direct implications for concessionaires, contractors, subcontractors, suppliers and professional service providers.

The immediate focus for investors and project companies should be on contract architecture and procurement planning. Contract templates must include local content clauses, subcontracting arrangements will require closer scrutiny. Supplier selection processes will need to reflect the preference, exclusivity and free market regimes. Particular attention should be given to the risk of joint liability for subcontractor non-compliance, as well as to the prohibition on full subcontracting by suppliers who benefit from local content rules.

For foreign suppliers, the law places greater importance on Mozambican participation, local production capacity, national payroll and supplier certification when it comes to accessing petroleum and gas opportunities. Partnerships with Mozambican entities may become increasingly relevant, but they will need to demonstrate economic substance. Structures based solely on formal shareholding, without corresponding domestic value creation, may attract scrutiny, particularly given the sanctions applicable to false or misleading information.

The law may open new opportunities for Mozambican businesses across the petroleum value chain, particularly for certified suppliers who can demonstrate capacity, local production, Mozambican workforce participation and compliance with project requirements. The publication of approved procurement plans and supplier registries by the Local Content Authority could also improve visibility regarding future opportunities.

The practical impact of the law will depend heavily on the implementing regulations, the statute and the operational capacity of the Local Content Authority, and the annexed lists of goods and services subject to mandatory local acquisition thresholds. Nevertheless, the direction of the new regime is clear: petroleum and gas projects in Mozambique will be expected to demonstrate measurable contribution to domestic industrial capacity, employment, supplier development and community-level economic benefits. ■