



Millennium
bim



Commodities Update

March 2021

01



Oil & Gas Sector Highlights

Highlights on Mozambique's gas field developments

Mozambique LNG Project Developments



Government and Total Announce Return of Activities in Afungi

- ✓ Last December 2020, the construction work of the Mozambique LNG Project on the Afungi peninsula was halted following security threats in the vicinity of the Project, which led to the demobilization of the project's workforce. Following these events, the Government and Total worked together to define and implement an action plan to strengthen the security of the area surrounding the site, including neighbouring villages.
- ✓ The Government declared the Mozambique LNG Project area as a special security operation zone and a roadmap has been defined and implemented with numerous measures and actions aimed at strengthening of security infrastructure and the contingent of public security forces, actions that give confidence and that will allow a gradual recovery of the workforce and construction activities of the LNG plant, as well as the Community development programmes carried out by the project.

Lenders begin disbursements for Rovuma Gas Project in April

- ✓ The start-up of disbursements by the Lenders of the natural gas project in the Rovuma basin in Cabo Delgado, northern Mozambique, is scheduled for April, according to oil company Total. The project is the largest private investment currently under funding in Africa with a total value of € 20 billion. Total also ensure its commitment to deliver the first LNG cargo in 2024.
- ✓ The Mozambique LNG Project states that will comply all the applicable legal requirements under the first disbursement of the project financing debt, signed on July 15, 2020 with 8 export credit agencies, 19 commercial banks and the African Development Bank.
- ✓ The first disbursement will take place early in April 2021.

Mozambique LNG Project Developments

ExxonMobil



Exxon Mobil reviews Investment Calendar in Mozambique

- ✓ The pandemic and tension in Cabo Delgado led two of the main Oil & Gas operators in Mozambique to review their short and medium term plans.
- ✓ Exxon Mobil decided to review its timetable, which was set for the AREA 4 FID in June last year but which is now, mainly due to the pandemic it does not expect to sign the Rovuma LNG Project's Final Investment Decision - an investment of US\$ 23 billion in a 15.4 MTPA production before 2022, which will be enough to 'push' Exxon Mobil's first liquefied natural gas delivery at best in 2025.
- ✓ Also in relation to Area 4, Italian Oil Company ENI, Exxon Mobil's partner in Block 4, is limiting the damage to the development of the offshore Coral deposit through a FLNG (3.4m tonnes per year) through the start of the LNG operation, which is expected to start in third quarter of 2022.

JBIC Approves US\$ 536M Loan for Mozambique LNG Project

- ✓ The Bank of Japan for International Cooperation (JBIC) has signed a loan agreement amounting to a maximum of US\$ 536 million with MITSUI for Mozambique LNG Project. The loan is co-financed with private financial institutions, bringing the total amount of USD 894 million.
- ✓ For this project, MITSUI and Japan Oil, Gas and Metals National Corporation (JOGMEC), together with Total and ENH will develop the gas field in the Rovuma basin; transport gas through an underwater pipeline to the liquefaction plant to be built; and produce and sell liquefied natural gas (LNG) with an annual production capacity of 13.12 million tons.
- ✓ Japanese utilities are expected to withdraw about 30% of the LNG produced by this project, and JBIC support is expected to help ensure the stable supply of LNG, which is an important energy resource for Japan.

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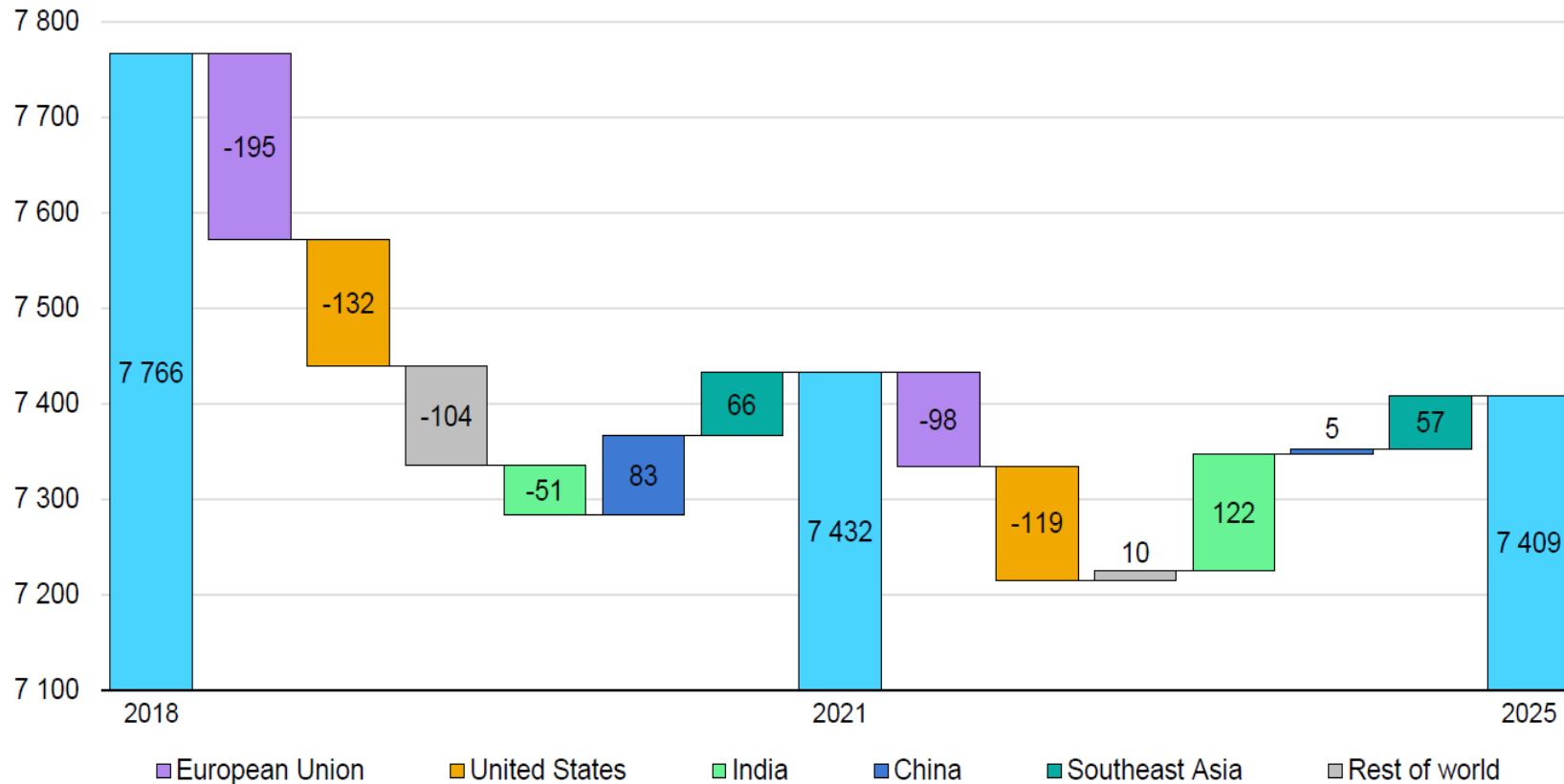
COAL Sector

Analysis and forecast

Coal use plateaus through to 2025 on the heels of the drop in 2020

More coal use in Asia is offset by declines in the European Union and United States

Changes in global coal consumption by region, 2018-2025



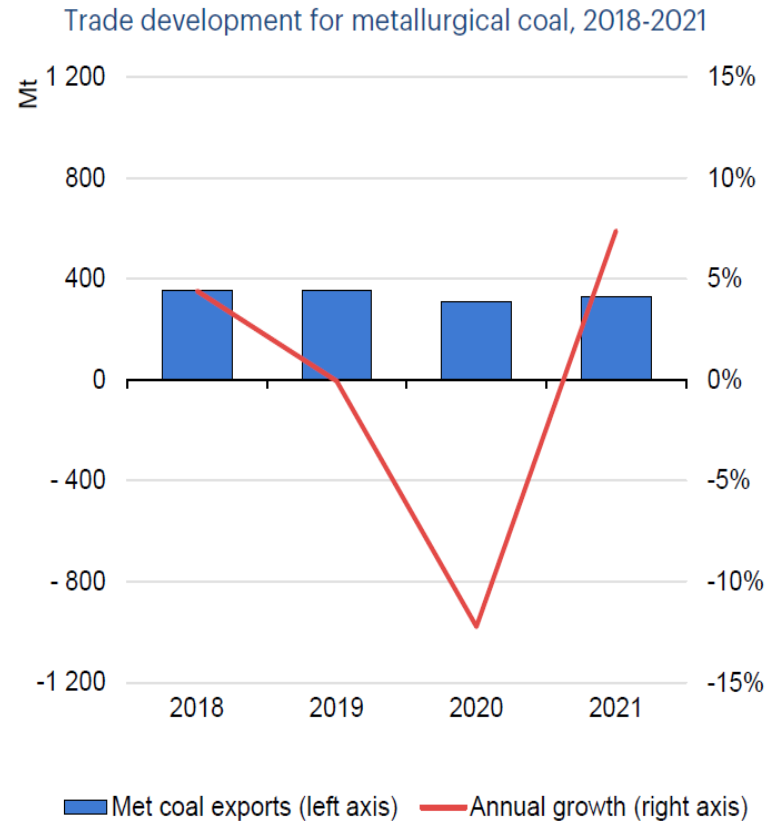
- Looking ahead to 2025, coal demand is expected to flatten even though three factors exert downward pressure on demand

- Low-carbon generation technologies, e.g. wind and solar, gain momentum as costs continue to fall and policy support is sustained

- Coal demand is expected to rise in some parts of the world, especially in South and Southeast Asia as electricity demand and infrastructure expand

Global coal production slumps in 2020, yet looks to increase in 2021

Covid-19's strong impact on coal trade



In 2021, as coal demand recovers, **traded volumes will rebound as well.**

Compared to 2020, **exports are expected to increase by 31 Mt (2.4%) to 1 323 Mt in 2021**, an increase in seaborne coal trade accounting for 26 Mt.

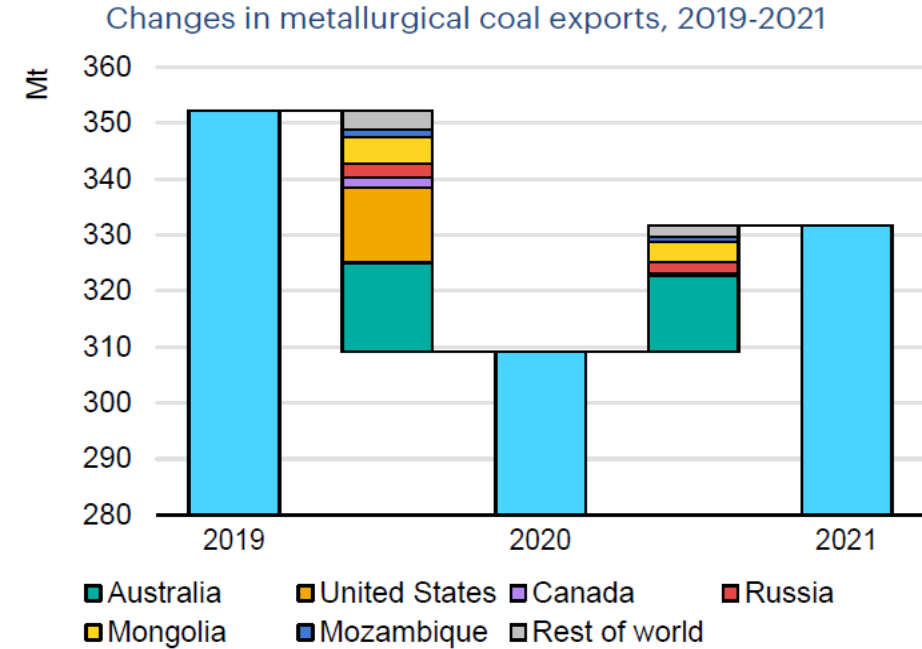
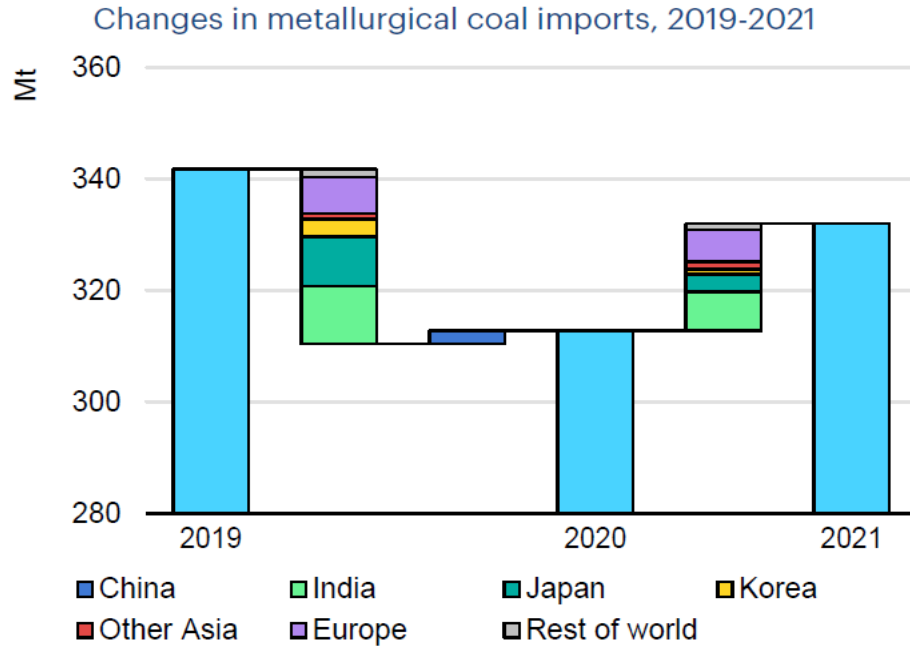
This means that export volumes **will remain well below** the pre-Covid volumes.

The recovery is supported by **more imports in India (+12 Mt)** and Southeast Asia (+10 Mt).

It is expected that Australia and Indonesia in particular **will benefit from this recovery in import demand.**

Australian coal exports are expected **to increase by 20 Mt** and Indonesian exports by 6 Mt.

Metallurgical coal exports hit by the pandemic

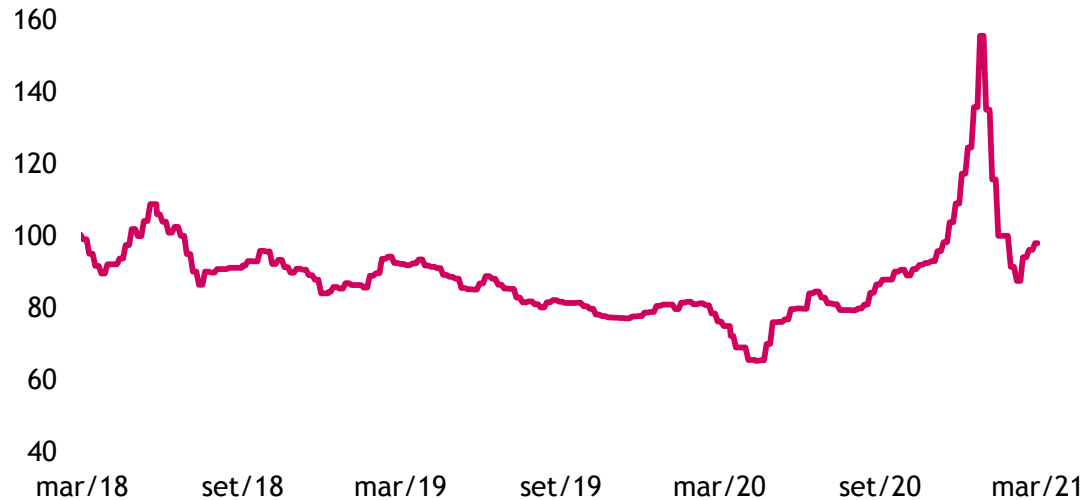


- In 2021 a recovery of import volumes by 19 Mt (+6%) is forecast.
- In 2020, Covid-related lockdowns and struggling economies dented steel production in virtually every country other than China, with direct impact on met coal trade.
- The outbreak of the Covid-19 virus in China in the first quarter reduced domestic supplies, as the reopening of many domestic coal mines was delayed from the beginning of February until March.

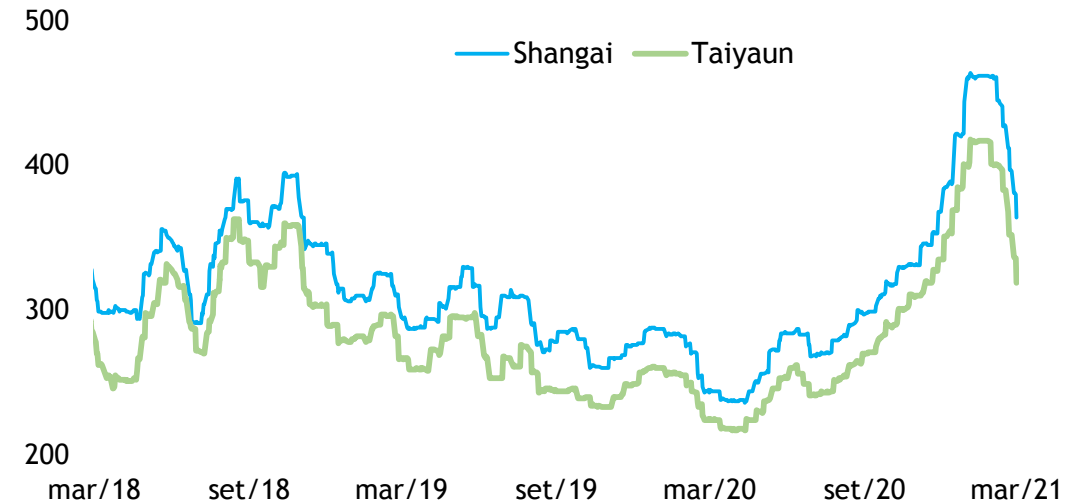
- Met coal exports are estimated to fall by around 43 Mt (-12%) in 2020, mostly seaborne traded met coal (-39 Mt).
- The decline in exports is more severe than the decline in imports, because the delay in discharging coal ships in Chinese ports at the end of 2019 meant that exports from the previous year could not be booked as imports until 2020.
- In 2021 a recovery in exports by 23 Mt (+7%) is projected. The share of seaborne traded met coal remains at 88%.

Coal Prices

China Port Thermal Coal (\$/mt)
COASQ155 Index, Daily



2nd Grade Coke Shanghai and Taiyuan (\$/mt)
CCOKSHAN Index, Daily



- Coal prices vary by region as well as by grade and quality.
- Spot prices for thermal coal were stable in the first-quarter 2020, despite a plunge in oil and gas prices.
- The lockdown in China led to a decline in electricity consumption and industrial output, but also to an increase in seaborne imports due to a reduction in domestic production as miners were unable to get to their workplaces and mines were closed as part of the containment measures.

- Import quotas in China have also pushed international coal prices down by depressing demand. At the end of the third-quarter 2020, prices started to recover as demand beyond China picked up and the supply side adjustments had cut production.
- Coking coal prices slipped in mid-2020 due to slowing global economic growth and weak steel production outside of China, notably in India.

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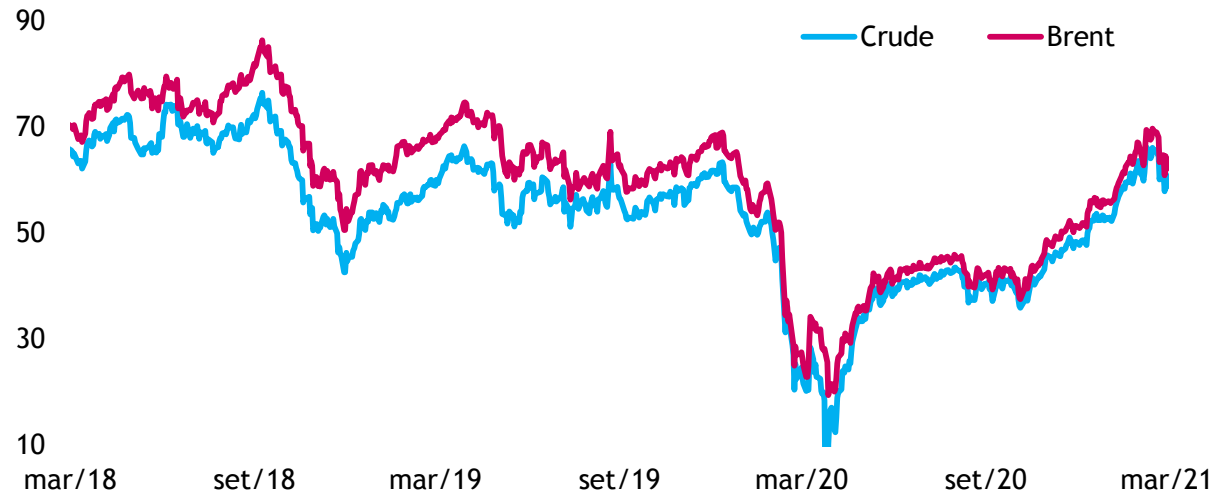


Energy Commodities

Price Movements

Oil markets face uncertain future after rebound from Covid-19 shock

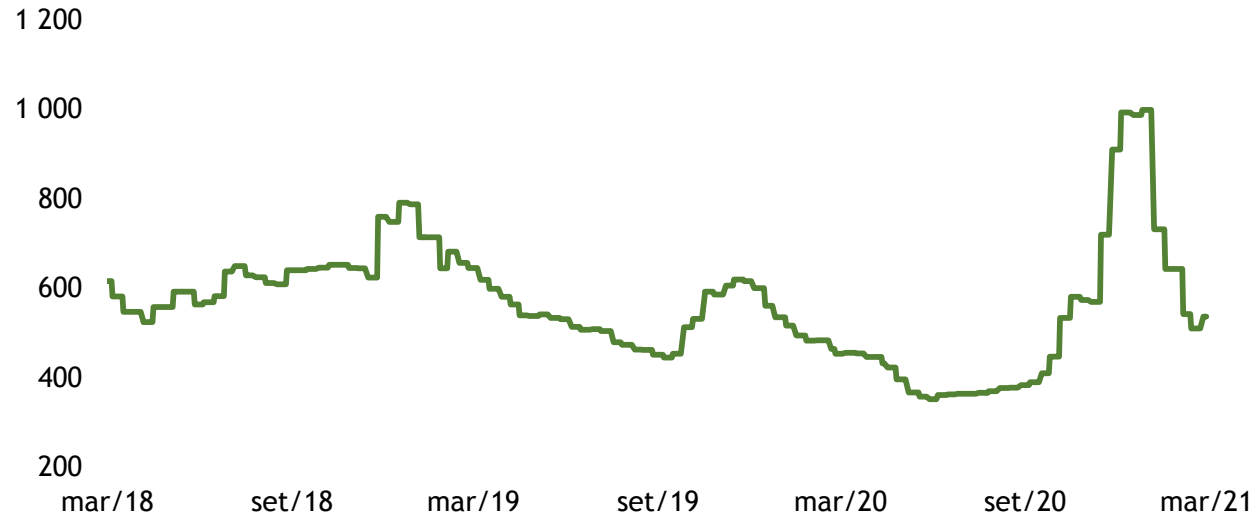
Crude Oil Price (\$/bbl)



- ✓ World oil markets have rebounded from the massive demand shock triggered by Covid-19 but still face a high degree of uncertainty that is testing the industry as never before, according to a IEA report.
- ✓ The forecast for global oil demand has shifted lower, and demand could peak earlier than previously thought if a rising focus by governments on clean energy turns into stronger policies and behavioral changes induced by the pandemic become deeply rooted, according to Oil 2021, the IEA's latest annual medium-term market report. But in the report's base case, which reflects current policy settings, oil demand is set to rise to 104 million barrels a day (mb/d) by 2026.
- ✓ Asia will continue to dominate growth in global oil demand, accounting for 90% of the increase between 2019 and 2026 in the IEA report's base case. By contrast, demand in many advanced economies, where vehicle ownership and oil use per capita are much higher, is not expected to return to pre-crisis levels.
- ✓ On the supply side, the heightened uncertainty over the outlook has created a dilemma for producers. Investment decisions made today could either bring on too much capacity that is left unused or too little oil to meet demand. Only a marginal rise in global upstream investment is expected this year after operators spent one-third less in 2020 than planned at the start of the year.

Winter has come, yet gas demand recovery remains fragile for 2021

LNG China (\$/mmbtu)



- ✓ After an unprecedented drop in natural gas demand 2020 closed with a **rapid recovery in gas prices as a rise in winter demand tightened supply**. A similar pattern held in the first weeks of 2021 with cold snaps bumping gas prices in Europe to their high winter levels and spot LNG prices in Asia broke historical records.
- ✓ This tight market episode was driven by **short-term factors, whereas the fundamentals remain uncertain and potentially challenging** for global gas demand recovery in 2021.
- ✓ Colder temperatures in December 2020 marked the start of a gas price rally amid tightening LNG supply. **Spot LNG prices in Asia more than tripled to above USD 30/MBtu by the start of January 2021**, with some cargoes reportedly awarded close to USD 40/MBtu; breaking the record price levels in the aftermath of the Fukushima nuclear accident in 2011.
- ✓ This forecast expects **global natural gas demand to grow 2.8% in 2021 (about 110 bcm), slightly above the 2020 decline**, thus enabling a recovery to the 2019 level. This is a far cry from the 7.5% y-o-y post-2009 financial crisis rebound observed in 2010. **Global gas demand recovery in 2021 is uncertain. Demand is subject to a variety of risk factors** including fuel switching, slow industrial rebound and mild weather which can moderate consumption.

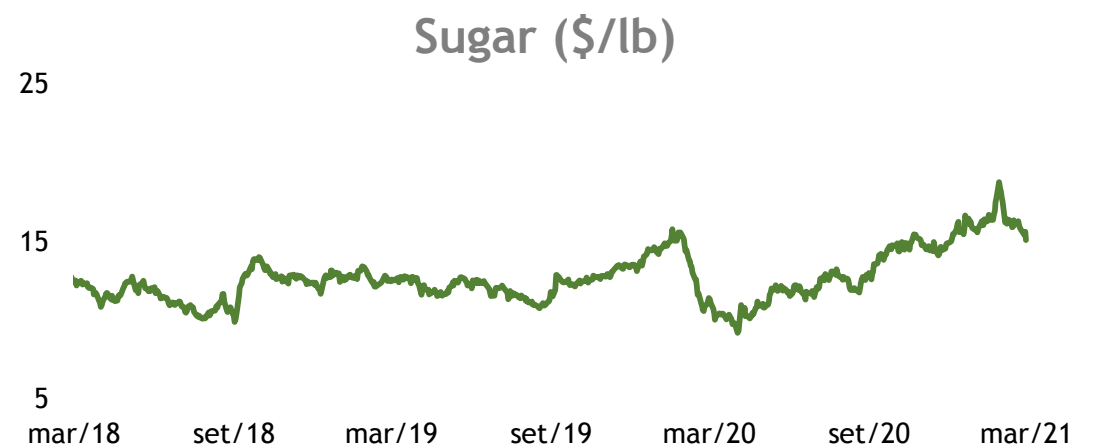
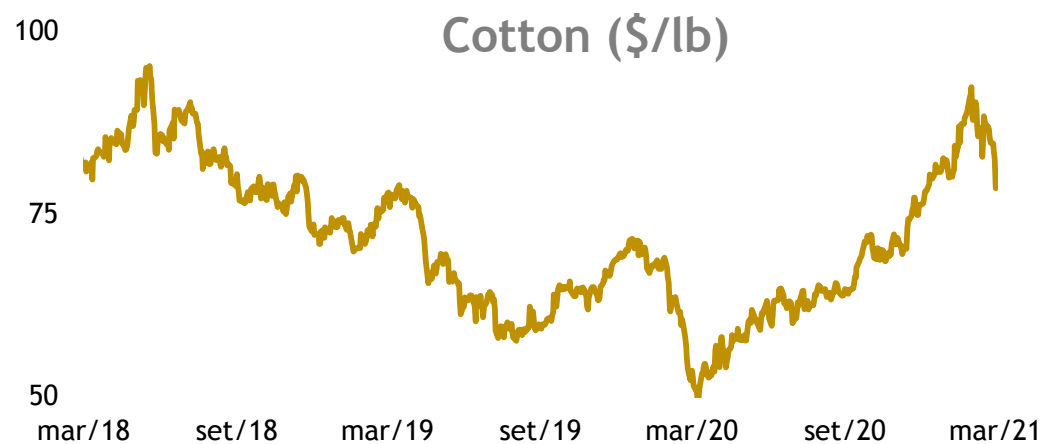
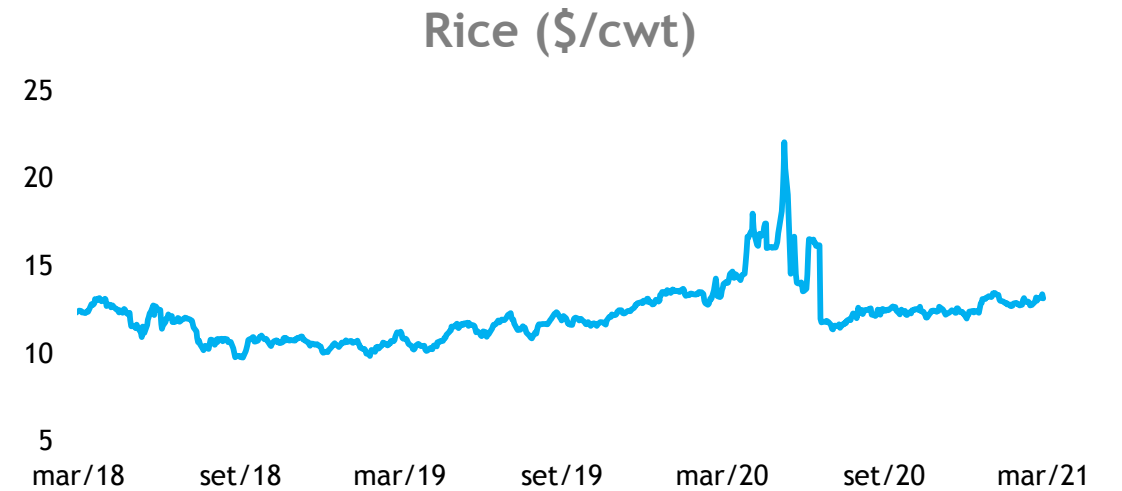
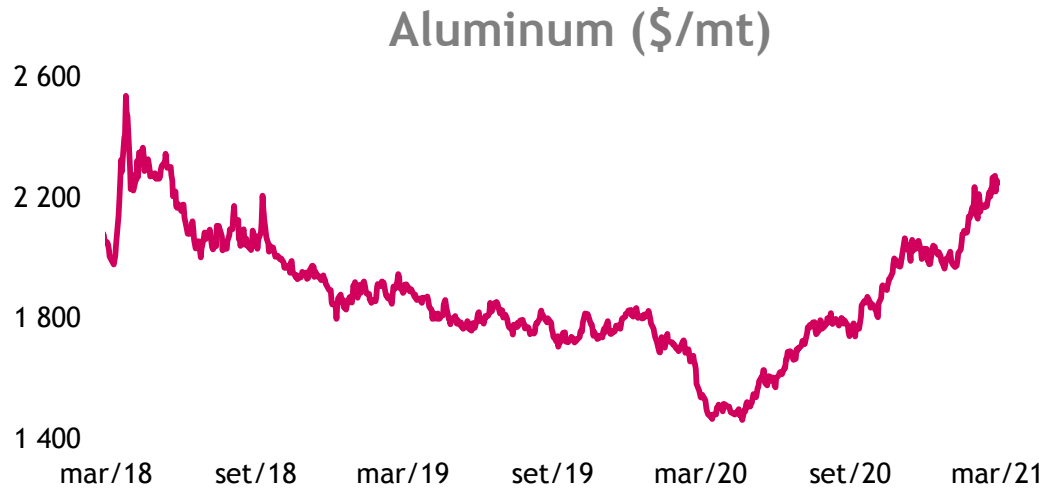
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Annexures

Non Energy Commodities and contact details

Annexure 1: Non Energy Commodities





Annexure 2: Contact details

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