

# Angola – getting back in the game

Morais Leitão's Claudia Santos Cruz on recent legal developments and the future of the Angolan oil industry in the wake of the Covid-19 pandemic

For a brief period in 2009, Angola was Africa's largest oil producer with production reaching two million barrels per day. Current production is around 1.37 million barrels per day. This reduction is generally attributed to a general reduction in production; low oil prices and more recently Covid-19 pandemic effects.

In a bid to incentivise investment into frontier exploration, the National Agency of Petroleum, Gas and Biofuels (ANPG) announced its second oil and gas licensing round, as part of its six-year licensing strategy that began in 2019. On 31 December 2020 ANPG published, in its capacity as National Concessionaire and holder of petroleum mining rights in Angola, an 'Announcement of the Intention to Grant Petroleum Concessions 2020'.

Potentially interested players are informed that the '2020 Bidding' process will commence on 30 April 2021, referring to the oil exploration of the Onshore Lower Congo and Kwanza Basins.

Under the terms of Presidential Decree 52/19, petroleum concessions are to be awarded through three mechanisms: public bidding, limited public bidding and direct negotiation. This means that some of the blocks may still be available for direct negotiation. Eligible bidders are selected from companies that have demonstrated knowledge, expertise and technical and technological competence operating in Angola. Under direct negotiation, successful companies must enter into a risk service contract, ie the company bears all exploration costs, and in return, recovers costs through the sale of the oil or gas if exploration proves successful.

Hydrocarbons have long been the backbone of the Angolan economy. However, recent worldwide events have diminished its position as the sole driver. Economic diversification cannot be achieved overnight and depends on maintenance of a strong petroleum industry. Angola has recently demonstrated the determination and planning necessary to achieve its development goals.

On 19 January 2021, in a plenary session of Parliament, two Statutes of material importance to economic agents doing business in Angola were approved.

The first is the 'Law on the Legal Framework for Corporate Recovery and Insolvency'. Prior to the passing of this new law there were no procedures for the corporate recovery or

rescue of companies in financial distress. Most companies facing difficulties would either be left dormant or subjected to a long and bureaucratic bankruptcy procedure, preserving very little value for creditors at the end of it.

The shift in paradigm, based on the recovery of companies deemed to be preferential (viable), as well as creating conditions for companies to effectively resort to insolvency when needed, brings with it a number of challenges. There will undoubtedly be work to be done in order for economic operators and judicial authorities to familiarise themselves with the legislation, deal with the practical aspects of its implementation and move towards adopting a more commercial corporate rescue culture, a novelty in Angola.

The Proposal for the Law on the Framework for Movable Securities, which has as its main goals providing legal certainty and more safeguards for lenders taking securities in financing transactions and also boosting economic growth, was also unanimously approved. The legislation foresees the creation of an entity responsible for the registration of movable securities, which will centralise and publicise the creation, modification and extinction of the securities covered by the Law. These include, among others, pledges, mortgages and the assignment of receivables as a security.

We anticipate that the entry into force of this Law may give rise to several practical issues, such as difficulties in harmonising it with provisions of other legislation such as the Civil Code, the logistical effort in creating the actual securities Registry and in cross-referencing data with other already existing entities. Nonetheless, financial institutions lending into Angola will most certainly welcome the ability to register movable securities and have their priorities recognised.

Finally, a brief note on Angola's steps to privatise a number of state-owned companies in an effort to limit financial exposure and make public services more efficient. The Angolan Privatisation Programme (PROPRIV) aims at restructuring the Angolan public business sector, diversifying the economy and ensuring the public finance sustainability policy. PROPRIV identifies 195 state-owned enterprises to be privatised covering diverse sectors such as oil and mineral resources, telecommunications, finance, transport, hospitality, tourism and agriculture.

PROPRIV is attractive for investors not only because it targets strategic national companies in prime sectors, such as the national oil company (Sonangol), diamond company (Endiama) and Angolan Airlines (TAAG), but also because the potential for return on investments is high given that the difficulties which most of the targeted companies are facing relate to a shortage of qualified management or capital, something investors have the ability to turn around with skilled staff and capital investments.

We believe these are important steps to reform the business and investment environment in Angola. It will help reduce gaps and bottlenecks, including the complex system for FDI entry and establishment.

**FIRM:** In conjunction with its integrated network law firms in Angola (ALC Advogados), Mozambique (HRA Advogados) and Cape Verde (VPQ Advogados), Morais Leitão, through Morais Leitão Legal Circle (a team based in Portugal dealing with Lusophone transactions), ensures a seamless service to international clients investing in Lusophone Africa. The team advises clients on both cross-border inbound and outbound investments into Lusophone Africa. The teams combine international experience best practice backed up with expert local knowledge and has acted in some of the most complex and large-scale deals in Lusophone Africa.

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