Angola: Government Policy and Decision Making

Angola is mature oil exporter, with the majority of its production coming from deep and ultra-deepwater areas. The ruling Popular Movement for the Liberation of Angola (Movimento Popular de Libertação de Angola: MPLA) has traditionally been heavily reliant on hydrocarbon export and tax revenues to fuel a patronage-based political system. However, lower crude prices since mid-2014 and accelerating production decline have moderated this approach and compelled economic diversification. Even so, the hydrocarbon sector generates around 25% of GDP, 95% of exports and over half of total government revenues, and S&P Global analysis finds that over 75% of Angola’s economic activity (including key non-oil sectors) is still influenced by oil price dynamics, despite recent diversification gains. Most recently, lower prices amid global trade uncertainties combined with falling crude output have undermined an Angolan economic rebound, and increased concerns over the country’s debt position. Government efforts to boost fiscal sustainability are vital to the MPLA's prospects and broader regime stability. President Joao Lourenço – who succeeded four-decade ruler José Eduardo dos Santos in October 2017 – lost the MPLA's two-thirds parliamentary majority in 2022 polls, for the first time since independence in 1975. While Lourenço and the MPLA still control the levers of power, the party has downplayed the potential for him to seek a currently unconstitutional third term at the 2027 general elections. The hydrocarbon sector's ongoing economic importance underscores the government’s need to facilitate and maintain upstream investment and retain its pragmatic approach to regulatory reform and contractual and fiscal terms.

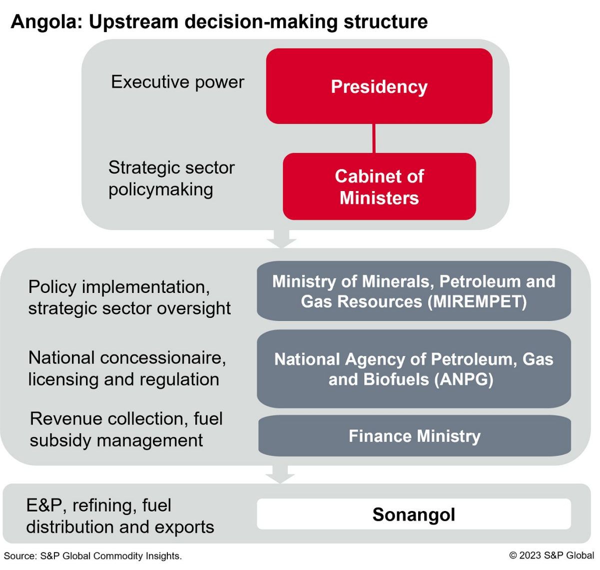
The government’s hydrocarbon sector policy priorities are to:

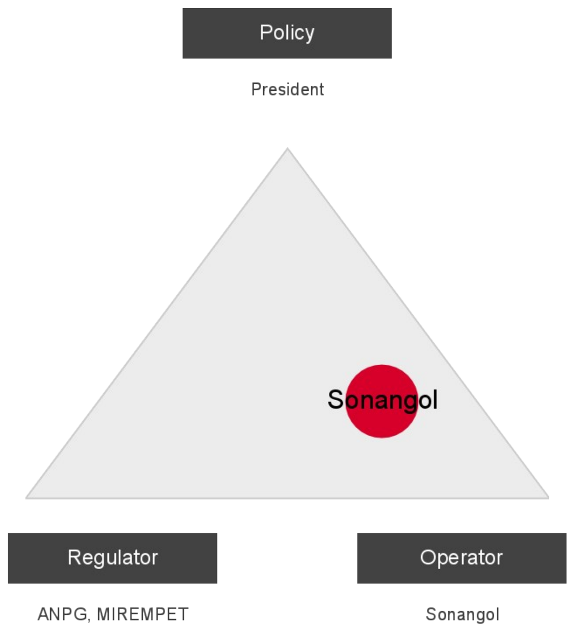
- **Maximize oil and gas production:** Angola was forced to abandon its longstanding 2 million b/d production target due to high decline rates at mature fields, technical problems, and delays at new projects operated by foreign majors. The government’s subsequent target of maintaining output at 1.5 million b/d to 2022 was also missed due to constrained upstream spending by foreign investors amid lower crude prices and Angola’s compliance with OPEC+ cuts. Angola left OPEC in late 2023 in order to promote production growth without constraints, or at least sufficient investment to offset decline. Production briefly fell below 1 million b/d in 2025, but new project start ups should allow Angola to meet its new target of holding production at around 1 million b/d to 2030, although this highlights how starkly moderated upstream ambitions have become over the past decade.
- **Reduce government financial obligations and restructure Sonangol:** The post-2014 fall in oil prices exposed significant shortcomings at national oil company (NOC) Sonangol, necessitating the provision of a $10-billion cash injection from the government in 2016-17. To raise cash, pay off capex arrears, and reduce future spending commitments, the NOC attempted to reduce its stakes in eight operated and non-operated producing blocks in 2021-22, although the divestment process stalled. Sonangol Group has been split into three holding companies in an effort to promote efficiency and strategic focus, and profitable upstream operations have been separated from loss-generating activities. Some subsidiaries are being privatized, and the government ultimately plans to publicly list 30% of the NOC’s equity – though the target date for doing so has slipped from 2027 to beyond 2030. A listing could raise up to $8 billion, according to company estimates. However, the NOC’s ongoing financial fragility and high levels of indebtedness and non-payment are continued watchpoints for foreign investors.
- **Reshape oil sector institutions and improve regulatory efficiency:** Sonangol's regulatory and

operational functions have also been separated and a new regulator, the National Oil and Gas Agency (ANPG), became active in mid-2019. ANPG took on a number of roles from both Sonangol and the former Ministry of Petroleum (now the Ministry of Mineral and Petroleum Resources, MIREMPET), including Sonangol's former role of sole national concessionaire, which gives it the right to grant and monitor production sharing contracts (PSCs) signed with foreign partners on behalf of the state. Having achieved moderate success in delivering Angola’s 2019-25 licensing plan, the regulator is now focusing on the follow-up plan and continued efforts to streamline bureaucracy, particularly regulatory and approval processes.

- **Bolster IOC engagement in remaining resources through contractual incentives and new licensing:** Along with renegotiating existing PSCs on a case-by-case basis, Angola is offering an expanded suite of contractual, fiscal and operational incentives to upstream investors. The incentives are largely focused on reducing production decline in the near-to-medium term by promoting the development of discovered resources and exploration close to existing infrastructure. Improved cost recovery for near-field exploration in existing contract areas and incentives for marginal field developments have been on offer since 2018, along with an updated contract regime that confers ownership of gas resources on foreign investors for the first time. Angola has also introduced new terms for maturing fields (via its 2024 Incremental Production Decree), which will adjust the profit oil split in PSCs to reward investors with higher profits for increased production. The government is also offering terms to promote new exploration and development in frontier areas. Again, the terms involve an improved profit oil split, and have been applied to ExxonMobil’s Namibe Basin contracts and are also likely to be applied to blocks offered in the 2025 Kwanza and Benguela Basin bid round.

Upstream Decision-Making





- Key strategic decisions and policies relating to the energy sector emanate from a narrow but expanding group. Key decisions come from the president, influenced by ministers and officials. The petroleum ministry historically had limited influence over policy, but under President Lourenço, it is playing an important role in steering oil sector reform plans. ANPG, meanwhile, is playing an increasingly high-profile and effective outreach and engagement role to secure new E&P investment.
- After taking power in 2017, President Lourenço was quick to appoint supporters to key roles at oil sector institutions and Sonangol. The government also merged the ministries of mines and petroleum

into the new Ministry of Mineral and Petroleum Resources (MIREMPET), and created a new role – Secretary of State for Oil – to bolster government relationships with international oil companies.

- Sonangol's role as the sole owner (concessionaire) of Angolan hydrocarbon resources was relinquished to the ANPG, but the NOC remains an equity partner in upstream operations via joint ventures with foreign companies under the production-sharing agreement (PSAs) framework, as well as an operator in its own right. Reorganization of oil sector institutions and changes to Sonangol's structure are intended to reshape the NOC into a commercial E&P-focused entity, and its influence over hydrocarbon sector policy, regulation and operations is waning.
- Despite the creation of the ANPG, MIREMPET retains some administrative roles, while the environment, labor, and finance ministries will also retain their (occasionally overlapping) oil sector responsibilities. Amid reforms, tensions between government institutions can sometimes emerge, for example between the ANPG and Sonangol during the 2019 Namibe Basin bid round, as the NOC submitted non-compliant bids.

Final bid round in Angola's ambitious licensing plan sharpens frontier focus

Angola: 2019-2025 Licensing Plan

• Public tender
2019: Blocks 11, 12, 13, 27, 28, 29, 41, 42 and 43 (offshore Namibe Basin), Block 10 (offshore Benguela sub-basin) **– contracts signed mid-2021; Sonangol Block 27, Azule Energy Block 28, TotalEnergies Block 29**

2020: Blocks CON1, CON5 and CON6 (onshore Lower Congo Basin), Blocks KON5, KON6, KON8, KON9, KON17 and KON20 (onshore Kwanza Basin) **– contracts signed mid-2022; Etu Energias CON1, Mineral 1 CON6, MTI Energy CON5, KON5, KON17 and KON20, Simples Oil KON6, Alfort Petroleum KON8**

2023: Blocks CON2, CON3, CON7 and CON8 (onshore Lower Congo Basin), Blocks KON1, KON3, KON7, KON10, KON13, KON14, KON15 and KON19 (onshore Kwanza Basin) **– contracts signed mid-2024; Etu Energias CON2 and CON8, Serinus Energy KON13, Acrep KON19**

• Limited public tender
2021: Blocks 7, 8, 9, 16, 33 and 34, free areas in Blocks 31 and 32 (various offshore basins) **– contracts signed September 2023; TotalEnergies Block 16, Azule Energy Block 31**

2025: Blocks 22, 25, 26, 35, 36, 37, 38, 39 and 40 (Kwanza and Benguela basins)

• Direct negotiation
2019: Blocks 6 (offshore Kwanza Basin), 30, 44, 45 (offshore Namibe Basin), 46 and 47 (offshore Congo Fan) **– contracts signed late 2020; ExxonMobil Blocks 30, 44 and 45, contracts signed November 2023; Azule Energy Blocks 46 and 47**

Source: S&P Global Commodity Insights © 2025 S&P Global

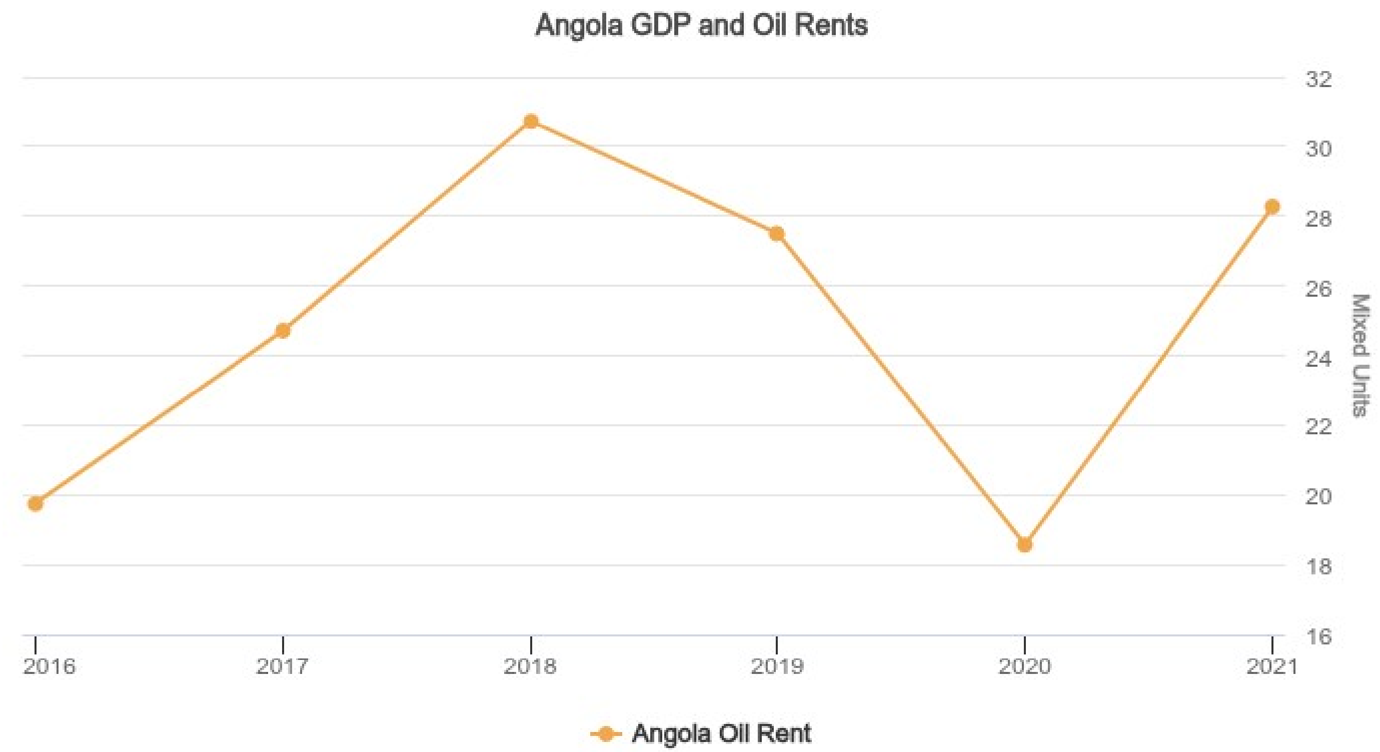
- Fiscal and contractual incentives for marginal and mature fields – and to a lesser degree, natural gas – may help to somewhat reduce Angola's forecast rapid production decline over the coming decade. But new licensing and exploration success is urgently required to bolster production in the longer-term, particularly given previous licensing mis-steps and cyclical exploration slow-downs amid crude price falls.
- To meet this challenge Angola introduced a 2019-25 licensing plan in February 2019, marking the first time that the country has pursued a multi-year licensing push. The 2019 bid round launch also marked Angola's first competitive license tender since the 2011 Kwanza Basin bid round. The 2011 round generated large signature bonuses but most of the acreage awarded – in frontier deepwater pre-salt areas – has since been relinquished due to disappointing exploration results and high costs. A subsequent 2014-15 onshore bid round was also ultimately unsuccessful, with contracts awarded

exclusively to local firms. The tender was eventually cancelled before contracts were signed due to concerns over the companies' technical capacity.

- The 2019-25 plan was originally conceived to offer around 60 blocks across shallow and deepwater areas in established basins, along with unexplored frontier acreage in the Namibe Basin and onshore Kwanza and Lower Congo Basin previously offered in the aborted 2014-15 round. In a carbon- and capital-constrained upstream investment environment (which was also initially shaped by the COVID-19 pandemic), the licensing plan has met with mixed success. Only 3 of the 11 Namibe and Benguela Basin blocks on offer in 2019 were awarded, to operators Eni (now part of the Azule Energy joint-venture with BP), TotalEnergies, and Sonangol, with Equinor and BP among the minority partners. Even so, ANPG maintained that it was satisfied with that outcome, given the work programs that operators committed to, representing over $100 million in investment, in an otherwise undrilled basin. The delayed 2020 onshore bid round – aimed squarely at domestic firms – was more successful, with all blocks awarded, albeit to small independents. The 2021 limited public tender – an invite-only round generally aimed at foreign IOCs and NOCs – was also delayed into 2022 as companies engaged with the government on the terms of reference. Again, few bids were received and those that were submitted came from established deepwater players Azule Energy and TotalEnergies. In the 2023 second onshore round, only four of the 12 offered blocks were awarded. Most bidders were local Angolan firms and foreign independents.
- So far, the licensing plan's results have suggested that few new entrants are willing to invest in Angola's capital-intensive deepwater, particularly in frontier areas, with most bids in the offshore coming from established IOCs seeking synergies with existing operations. However, the final offering in the Kwanza and Benguela basins comes as IOCs are reviving their interest in entering more challenging E&P areas globally, as the prominence of a greener energy investments wanes in their broader strategic planning.
- The 2025 limited (invite only) offshore bid round offers nine Kwanza and Benguela Basin deepwater blocks, some of which were offered in the high-profile 2011 round then subsequently relinquished. Although the deeper waters of the Kwanza Basin are increasingly gas prone, the 2018 gas terms should improve economics for potential export projects. The model contract will likely also extend the marginal field terms for oil and frontier field incentives already offered to TotalEnergies' Kaminho project, and those agreed with ExxonMobil in the Namibe Basin.
- With frontier investment challenges in mind, the Angolan government has maintained its pragmatic approach to fiscal terms, having twice improved the terms for ExxonMobil's Namibe Basin blocks (awarded as part of the plan by direct negotiation) in order to keep them competitive with ExxonMobil's Namibe Basin blocks in Namibia, which has a more generous fiscal regime.
- ANPG pursues a hybrid strategy of making upstream blocks available via both bid rounds and a "permanent offer" system, in which any blocks not awarded during its Licensing Plan will remain open for direct negotiation. Onshore, as of September 2025, there are eight blocks available via permanent offer: two in the Lower Congo Basin and six in the Kwanza Basin. Offshore, there are eight blocks available: three in the Kwanza Basin, four in the Namibe Basin, and one in the Congo Fan. Although this hybrid strategy – adopted in rival deepwater venues such as Brazil and the Republic of Congo – appears to increase upstream access, it may ultimately undermine the success of bid rounds by reducing investor urgency.

Angola: Energy Fundamentals

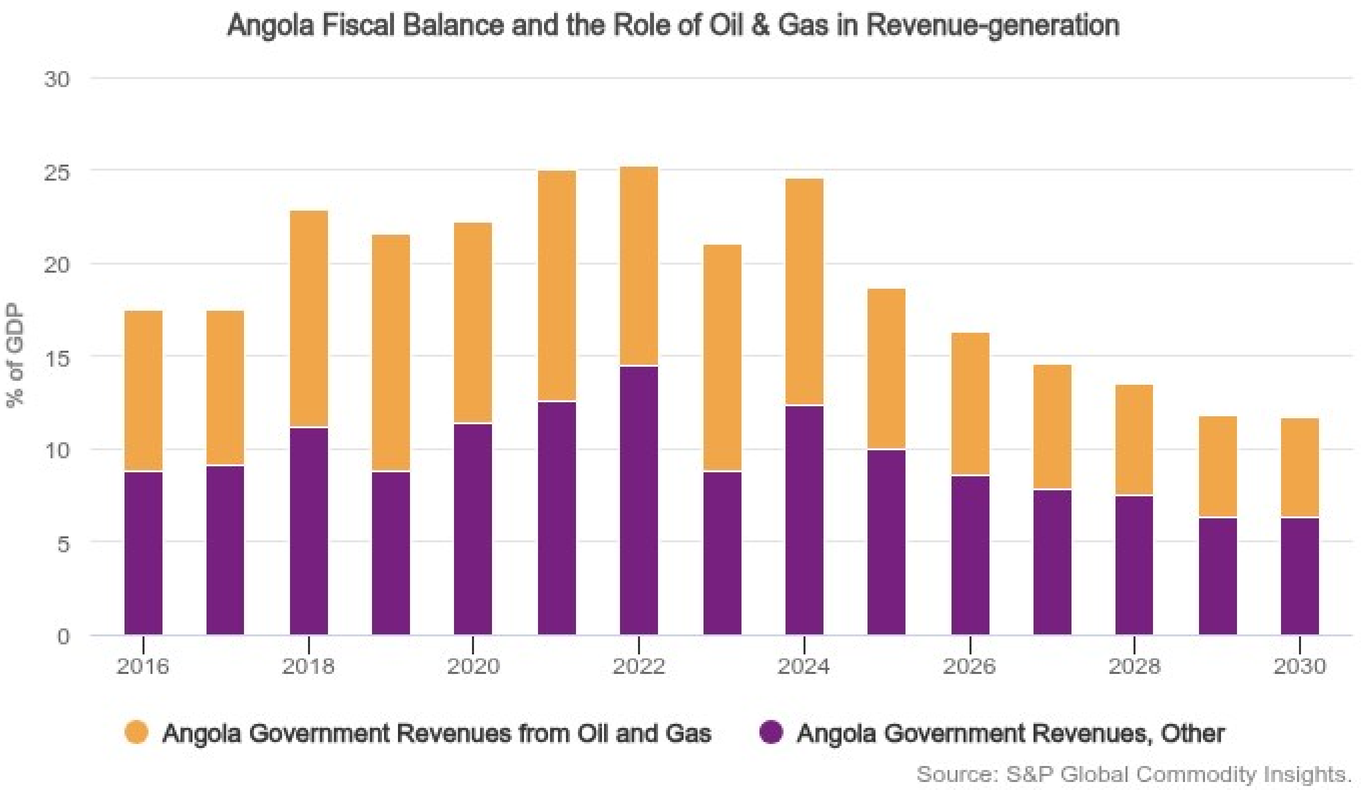
Angola: GDP and Oil Rents



Source: S&P Global; World Bank.

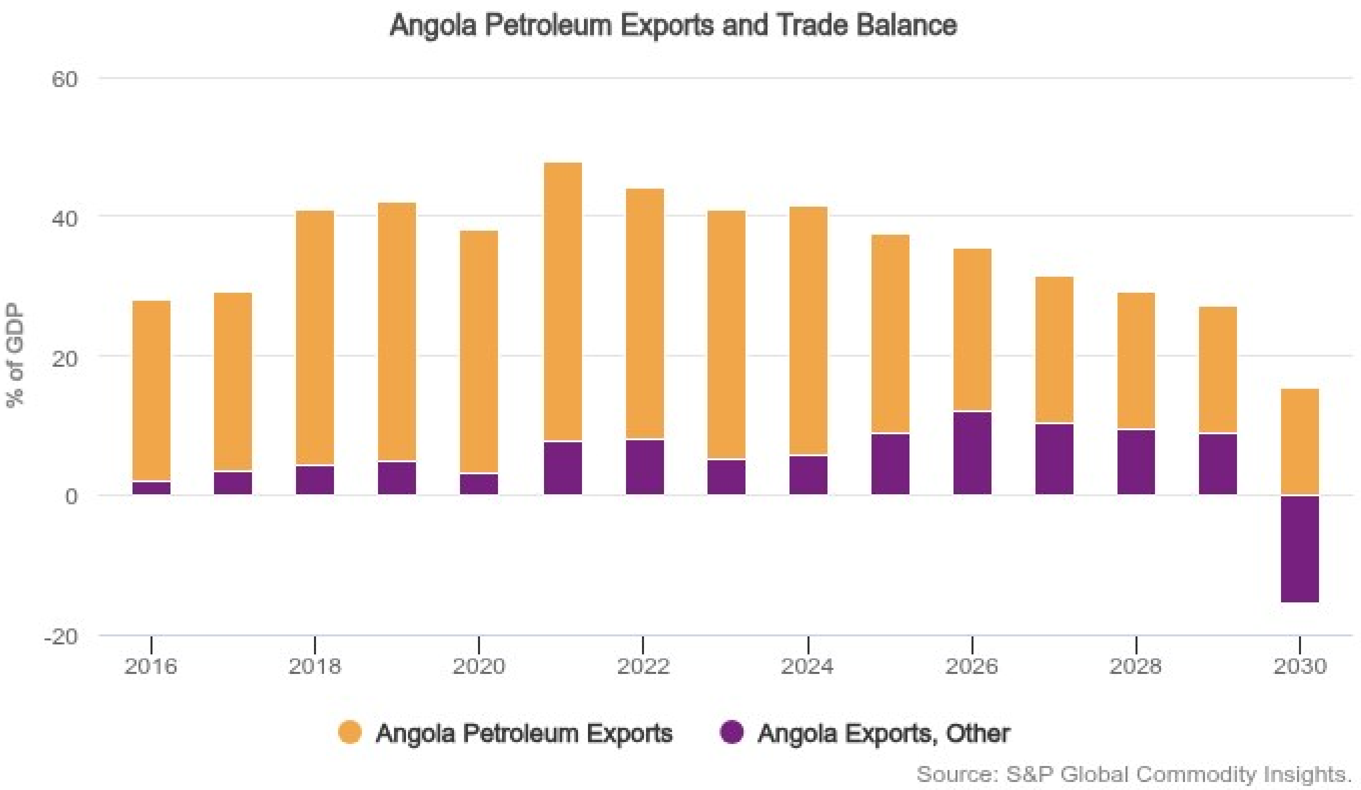
- Angola's real GDP growth has slowed substantially since 2014, and the economy contracted every year in the 2016-20 period. Slight growth returned in 2021 as the economy bounced back from the COVID-19 pandemic. While economic expansion was boosted by higher oil prices resulting from the Russia-Ukraine conflict, the GDP growth outlook is now uncertain amid a return to lower oil prices and increased domestic budgetary and debt service pressures.
- Ongoing cost-of-living pressures and elevated unemployment add to downside risks. The government has been forced to pause its subsidy reform program after fuel price rises sparked deadly protests in mid-2025, emphasizing the challenges of balancing fiscal reforms with social considerations.
- Angola received a $4.5-billion IMF Extended Fund Facility agreed in October 2020 to improve fiscal sustainability. The government is considering requesting further IMF support.
- Oil historically provided the vast majority of Angola's government revenues and foreign exchange earnings, alongside nearly half of GDP. However, reduced oil prices from 2014 dramatically curtailed the sector's contribution. Diversification and privatisation efforts should bolster non-oil sector growth, driven by the agriculture, construction, and industrial sectors

Angola: Fiscal Balance and the Role of Oil & Gas in Revenue-generation



- Angola has faced budgetary challenges since the 2014 price collapse, when falling oil prices pushed Angola's fiscal balance deeper into a deficit from 2014-17, a dramatic reversal from surpluses close to 8% as recently as 2011. The fiscal balance has since fluctuated in parallel with global crude prices, affected by recent drivers such as the COVID-19 pandemic, the Russia-Ukraine conflict, and global trade uncertainties.
- Although political stability has been maintained through the 2022 election, reduced social spending — including a phase-out of some fuel subsidies mandated by the IMF loan agreement — has added to growing popular unrest. In the run up to (potentially tense) 2027 general elections, reduced state spending capacity remains the biggest threat to regime and social stability.

Angola: Petroleum Exports and Trade Balance



- Angola has faced significant variations in its trade balance, with a strong surplus before and after the global financial crisis. However, the reduction in the value of petroleum exports saw imports overtake the value of exports in 2015.
- At this stage in its development, Angolan exports are dominated by petroleum and thus the fluctuations in exports over time are largely a function of oil export volumes and prices.
- The current-account balance came under pressure as a result of the pandemic-driven oil price collapse, but the Russia-Ukraine crisis boosted prices in 2022, supporting a recovery. However, global oil prices, and Angola's current-account balance, have again been strained by recent global trade uncertainties.

Angola: Import Cover

Angola Import Cover

Source: S&P Global Market Intelligence.

- Angola's import cover stands at around seven months. Despite this, government agencies continue to experience cash flow problems, and non-payment risks associated with state institutions and NOC Sonangol remain high, albeit lower than in previous years.

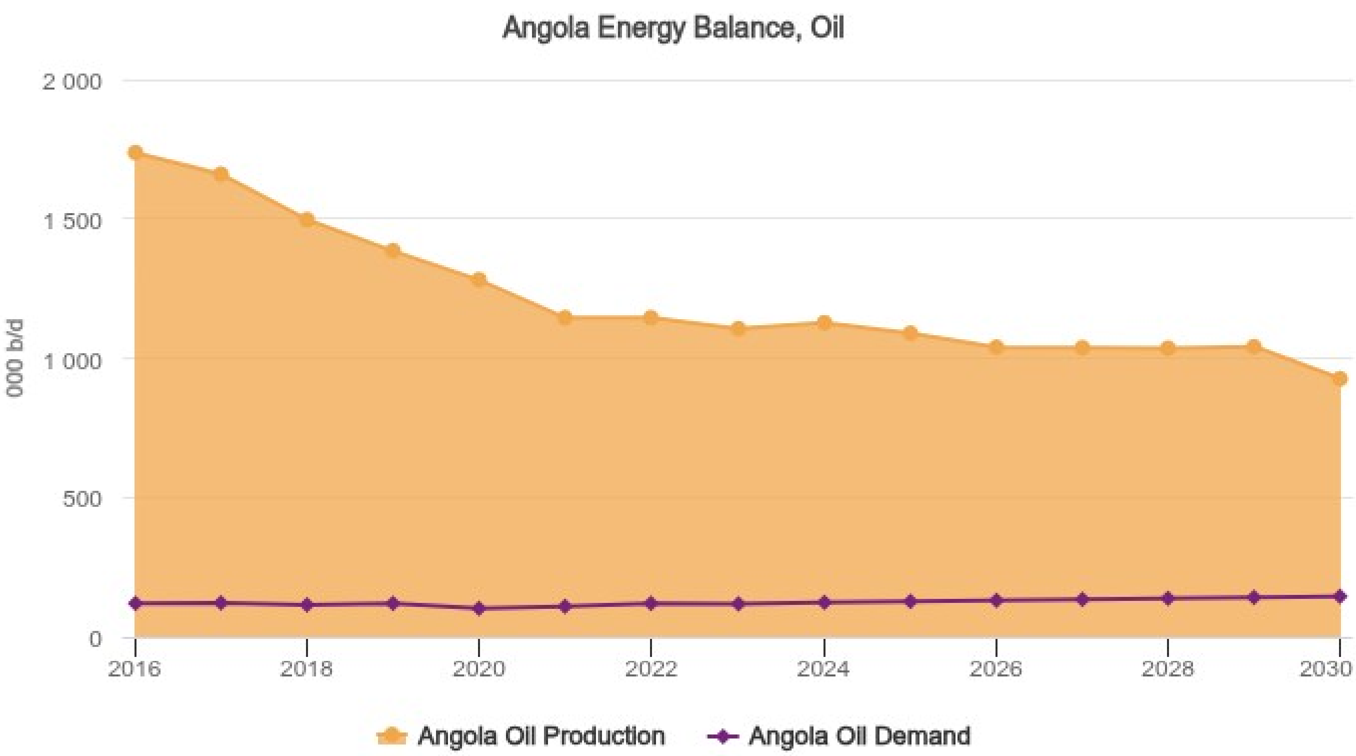
Angola: External Debt

Angola External Debt

Source: S&P Global Market Intelligence.

- Despite significant spending cutbacks, international borrowing has increased, keeping the country's external debt at elevated levels.
- Government debt accelerated to the equivalent of 123% of GDP at end-2020, from 81% at the end of 2018. Amid the COVID-19 crisis, the country's main sovereign creditor, China, offered debt service relief on oil-backed loans, which equated to around 15% of Angola's GDP. Loan-related oil shipments to Chinese buyers Unipec and Sinopec were reduced or suspended as part of the agreement. At end-2023 Chinese loans accounted for 25% of Angola's total government debt of $71 billion, mostly owed to China Development Bank. The government has restructured oil-backed loans from various lenders – including China, Brazil, and Israel – since 2014. In 2018, all of the state's allocated equity crude was reportedly directed to servicing such loans.
- Lower oil prices in 2025 are pressuring government revenues and increasing the likelihood of debt distress. Debt service of around $14 billion in 2025 is likely to account for around 60% of government revenues, according to S&P Global Market Intelligence. Lower prices have dashed Angola's hopes that the public debt-to-GDP ratio would fall below 60%, and it is now likely to stay at or above this level to 2029, well beyond the 40% ration broadly recommended for developing economies by multilateral donors.

Angola: Energy Balance, Oil

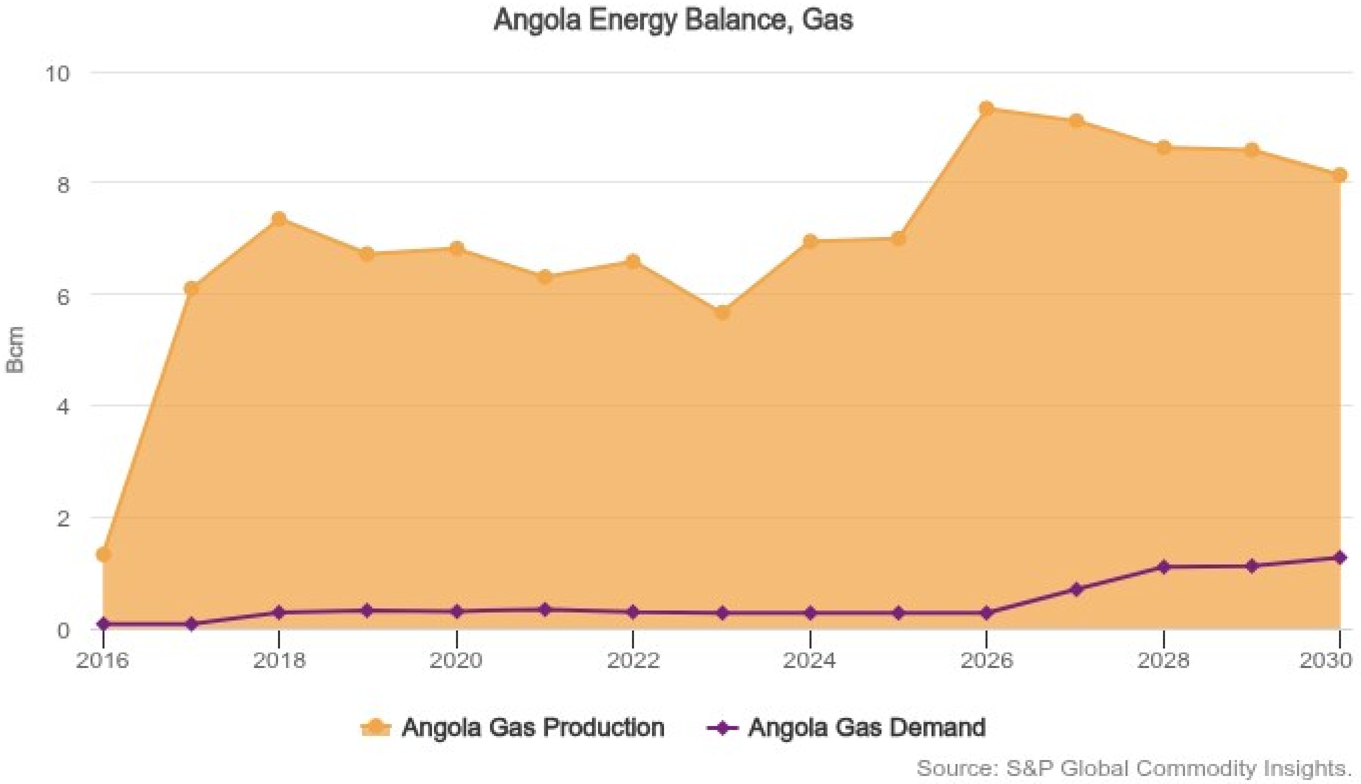


Source: S&P Global Commodity Insights. Note: Production includes crude and condensates only.

- Angola is a net exporter of crude oil, but crude production is in decline. The country has been unable to reach successive long-term targets of 2 million b/d, 1.5 million b/d and recently 1.1 million b/d. The government now aims to keep production at around 1 million b/d to 2030.
- Angola is no longer constrained by OPEC quotas, having left the cartel in late 2023. The departure was primarily driven by the government's desire to be unconstrained in attracting investment to boost production.
- Angola's production base is maturing fast, and will therefore require increasing amounts of investment in improved recovery techniques to sustain crude flows, and in new exploration to unlock further resources. Approximately 50% of the country's production comes from assets which have already produced 80% of their recoverable volumes. Eight of the top 10 producing assets have produced at

least 70% of their recoverable volumes.
- Domestic demand, although growing, will remain a small component of overall output for the foreseeable future.

Angola: Energy Balance, Gas

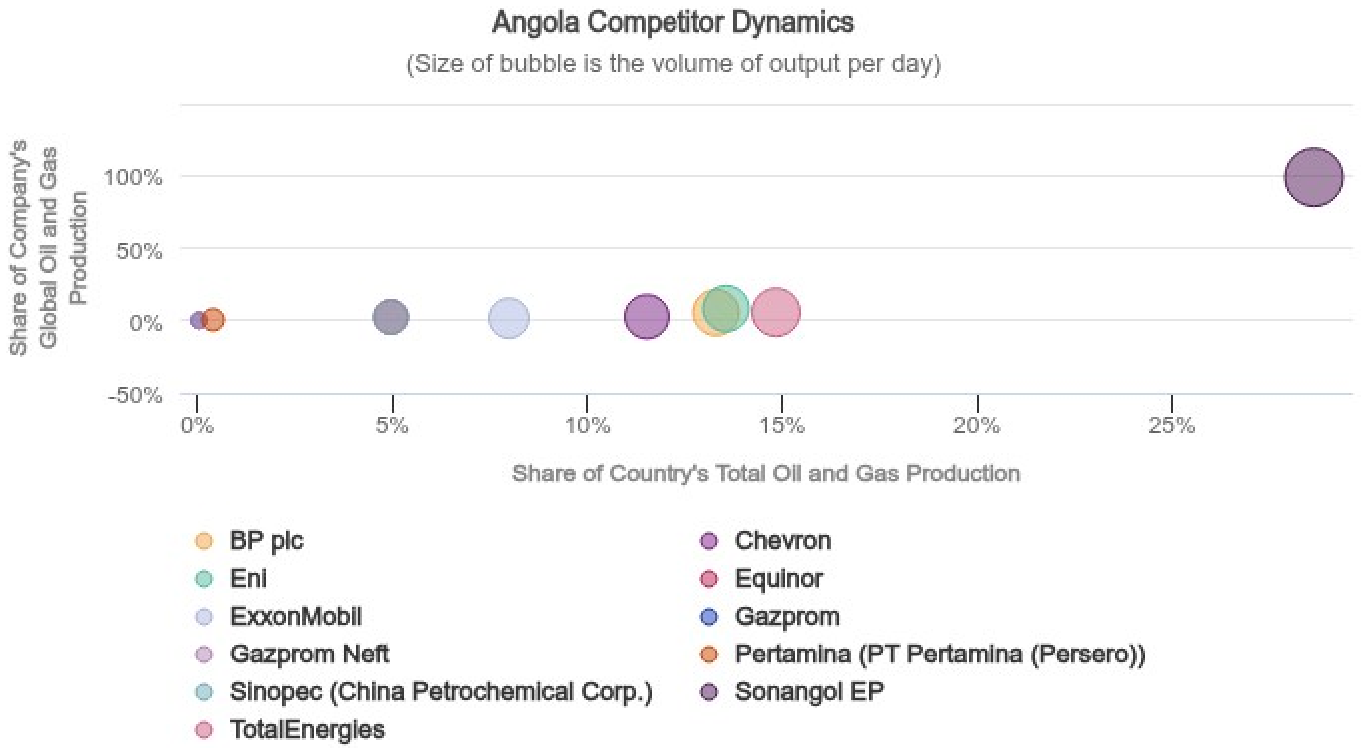


- Most gas production in Angola is reinjected. Plans to monetize deepwater associated gas through exports from the Angola liquefied natural gas (LNG) plant were stalled by technical problems. The plant resumed production in mid-2016 after a two-year shutdown, though it has recently been operating at only around 80% of nameplate capacity due to a lack of feedstock gas.
- The 2018 Natural Gas Framework Law will underpin the standalone development of non-associated gas discoveries, and the Azule Energy-led New Gas Consortium is developing Angola's first such project to provide new feedstock for the Angola LNG plant from the Quiluma and Maboqueiro discoveries, with start-up targeted for 2026. Azule partner Eni has stated that these new flows will be prioritized to supply Europe in light of the Russia-Ukraine conflict. The NGC has lined up a further five non-associated discoveries for monetization via Angola LNG. Moreover, Azule's mid-2025 Gajajeira-01 gas-focused exploration well in Block 1/14 — the first such well drilled in Angola — discovered 1 Tcf of gas and 100 million barrels of condensate, adding to feedstock options for Angola LNG.
- The government has longstanding but challenging aspirations for a second gas development hub (most likely a floating LNG export plant combined with a pipe to shore for gas to power and domestic industrial projects) fed by Kwanza Basin and Benguela Sub-basin gas discoveries. China National Offshore Oil Company (CNOOC) has reportedly been in talks with the government over monetizing BP's relinquished Katambi gas discovery in Block 24, but no outcome has yet been announced publicly. Infrastructure constraints, high costs and limited domestic demand mean this is unlikely to be realized in the near term, with cheaper developments close to existing Angola LNG gas-gathering infrastructure taking priority.
- Domestic gas demand remains limited, with power sector use historically constrained by infrastructure damage caused during Angola's civil war and delays to investment during that period. However, expanding electrification combined with broader industrialization could create substantial

demand opportunities for any new domestic gas supply. Agriculture is Angola's fastest growing sector, suggesting growth opportunities for gas feedstock for fertilizer plants.

Angola: Competitive Environment

Angola: Competitor Dynamics



Source: S&P Global Commodity Insights. Note: Total production calculation for "oil" and "oil and gas" does not include natural gas liquids.

- Sonangol remains the largest oil producer in Angola, but its reported production almost halved in 2019 as the role of state concessionaire was moved from the NOC and reassigned to the new regulator, ANPG.
- Sonangol retains an option to partner in all upstream projects, although its lack of technical expertise means it operates only around 4% of overall production. Sonangol is aiming to increase this to 10% of operated production by 2027, but S&P Global assesses that Sonangol's share of operated production will remain at or below 5% until at least 2029, given the lack of growth and declining production from existing fields.
- The late-2022 merger of BP and Eni's upstream portfolios in the country under a new 50/50 independent joint-venture, Azule Energy, has created a major upstream player. Azule produces towards 250,000 boe/d of net oil and gas and holds 2 billion barrels equivalent of net resources, with stakes in 16 licences, as well as participating in the Angola LNG joint venture. Through Azule, BP and Eni hope to capture cost efficiencies and operational synergies.
- Angola's reliance on technically-challenging and costly deepwater and ultra-deepwater production means that its competitive landscape is dominated by supermajors and large majors. Output from BP, ExxonMobil, and TotalEnergies together accounts for nearly 40% of overall production, with Equinor, Eni, and Chevron also prominent, the latter notably in gas.

Angola: Competitor Mix

Source: S&P Global Commodity Insights. Note: Total production for "oil" & "oil and gas" does not include NGLs.

- Although new players such as private equity-backed firms, service companies, and foreign NOCs are entering Angola's exploration scene, the upstream production competitor mix will remain largely unchanged in the coming years, aside from BP and Eni's formation of Azule Energy. The country will remain an important source of existing and new production for the oil majors, albeit with most companies facing a declining trajectory. The most notable recent entrant is Shell, returning to Angola after two decades to partner with Chevron and Sonangol in Block 33. In May 2025 Brazilian NOC Petrobras signed an agreement to study upstream opportunities.
- The pace and scale of project starts and sanctions is again picking up, with three new projects eventually producing a total of 235,000 b/d starting up in 2025 — including the major Eni-operated Agogo phase 3 project — and the 70,000 b/d Kaminho project (the first in the Kwanza Basin) expected in 2028.
- Meanwhile, recent exploration success has generally been focused on near-field discoveries in producing blocks such as Azule Energy's Block 15/06 and ExxonMobil's Block 15 (assisted by the Incremental Production Decree), while much-heralded new frontier offshore plays in the Kwanza Basin and Congo Fan have largely disappointed. However, new plays could be opened in the coming years in the Namibe Basin, and in onshore areas, while the 2025 bid round could yet help to unlock the offshore Kwanza Basin.
- Note: The production volumes shown in the chart include production from the world's largest oil and gas companies (accessible online via the Companies and Transactions E&P Portfolio Tool), and do not show all companies operating in the country. In most cases, production is "as reported" by the company in its annual disclosure documents. In the case of some national oil companies, reported production may also include third-party volumes and/or volumes attributable to the host government. Accordingly, total annual volumes shown above may not fully reflect the country's production.

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