

FUELLING THE CRISIS IN MOZAMBIQUE

How Export Credit Agencies Contribute to Climate Change
and Humanitarian Disaster

A Case Study From Mozambique



Friends of
the Earth
Europe



Les Amis
de la Terre
France



Friends of
the Earth
United States



Friends of
the Earth
England, Wales &
Northern Ireland



milieudefensie



Re
Com
mon

Fuelling the Crisis in Mozambique

How Export Credit Agencies contribute to climate change and humanitarian disaster

A case study from Mozambique

16 May 2022

Published by: Friends of the Earth Europe and Justiça Ambiental (Friends of the Earth Mozambique)

<https://friendsoftheearth.eu>
<https://ja4change.org>

Author: Anneke Wensing

Developed in collaboration with Friends of the Earth England, Wales and Northern Ireland, Friends of the Earth US, Les Amis de la Terre (Friends of the Earth France), Milieudefensie (Friends of the Earth Netherlands) and ReCommon (Italy).

We thank Both ENDS, the Global Strategic Communication Council (GSCC network) and SOMO for their contributions.



Table of contents

04	Abbreviations and definitions
06	Foreword
07	Executive Summary

12 I - Introduction

16 II - Impacts of LNG projects in Mozambique

17	Climate impact
17	Environmental impact
18	Impact on Livelihoods, loss of land and housing: Displacement, accommodation and compensation.
20	LNG development and escalating violence
21	Government response
21	Militarization of Cabo Delgado
22	Humanitarian disaster and refugees
22	Freedom of Press and Civic Space
22	Addressing the roots of the conflict
23	Economic issues: Lack of economic development for Mozambique
23	Lower revenues
24	Corruption
24	Lack of benefits for citizens
25	Conclusion

26 III - ECA support for LNG in Mozambique

27	Incorrect assessment of climate impact
28	Climate court case in the UK
28	Gas lock-in undermines a Just Transition
29	Unclear and inconsistent assessment of environmental and social impacts, including security
29	Lack of assessment of economic impact, risks and corruption
30	Lack of transparency
31	Corporate interests take precedence over people, the environment and the climate
31	Conclusion

32 IV - Phasing out fossil support

33	Policies to phase out new fossil investments
34	Glasgow Statement on Public Finance
35	Recommendations to implement the Glasgow Statement on Public Finance
35	Supportive policies and policy coherence
37	Conclusion

38 V - Recommendations

41 VI - Timeline

43	Sources
----	---------

Abbreviations and definitions

ADSB	Atradius Dutch State Business (Dutch Export Credit Agency)
AGM	Annual General Meeting
Anadarko	US oil and gas transnational corporation – acquired by Occidental Petroleum (Oxy) in 2019
BII	British International Investment
BPIFrance	Banque Publique d'Investissement de France (French Export Credit Agency)
CCS	Carbon Capture and Storage
CCUS	Capture Capture Utilisation and Storage
CNPC	Chinese National Petroleum Company
CSO	Civil Society Organisation
CTT	Central Térmica de Temane
DAG	Dyck Advisory Group
ECA	Export Credit Agency
ECIC	Export Credit Insurance Corporation of South Africa
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ENH	Empresa Nacional de Hidrocarbonetos (Mozambique State's oil and gas company)
Eni	Italian transnational energy corporation
EO	Executive Order
ESAP	Environmental and Social Action Plan
EXIM China	Export-Import Bank of China
EXIM Thailand	Export-Import Bank of Thailand
EU	European Union
ExxonMobil	US transnational energy corporation
FID	Final Investment Decision
FLNG	Floating Liquefied Natural Gas
FoE	Friends of the Earth
FoE EWNI	Friends of the Earth England, Wales and Northern Ireland
FPIC	Free, Prior and Informed Consent
G7	Ministers of Finance and Presidents of Central Banks from Canada, Germany, France, Italy, Japan, US, UK
G20	Ministers of Finance and Presidents of Central Banks from Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi-Arabia, Turkey, UK, US, South-Africa, South Korea, European Union
IDPs	Internally Displaced People
IEA	International Energy Agency
IMF	International Monetary Fund
JBIC	Japan Bank for International Corporation
JA!	Justiça Ambiental - Friends of the Earth Mozambique
KEXIM	Korea Export-Import Bank
K-SURE	Korea Trade Insurance Corporation

LBI	Legally Binding Instrument
LNG	Liquefied Natural Gas
MDB	Multilateral Development Bank
mHREDD	Mandatory human rights and environmental due diligence
NEXI	Nippon Export and Investment Insurance (Japan)
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
SACE	Italian Export Credit Agency
SDGs	Sustainable Development Goals
TotalEnergies	French transnational energy corporation
UK	United Kingdom
UKEF	UK Export Finance (UK Export Credit Agency)
UNFCCC	United Nations Framework Convention on Climate Change
UPR	Universal Periodic Review
US(A)	United States (of America)
US EXIM	US Export-Import Bank (US Export Credit Agency)

Foreword

As soon as gas was 'discovered' off the pristine coast of Cabo Delgado, northern Mozambique became another illustration of the merciless and irreversible destruction caused by the fossil fuel industry in the global South. Only a few years ago, Cabo Delgado was a peaceful, lush, green coastal province with a large rural population of farmers and fishers, many living where the sand and the grass met under their feet, and with an income supplemented by a thriving tourism industry. It was certainly not all roses – poverty was and remains rife – but communities had their territories, free access to water, sea and forests, and a sustainable livelihood.

Ten years later, the industry has left thousands of people displaced and without livelihoods, ruined the environment and fuelled an ongoing five-year violent conflict that has made nearly one million people refugees in their own country, and thousands of innocent people murdered in cold blood. The industry and its historical power dynamics has pushed Mozambique further into a deep hole of debt. None of this gas has even been extracted yet. If this is the suffering it has created already, it is terrifying to imagine what is yet to come.

All players in this industry are at some level complicit in this devastation – fossil fuel companies, private financial institutions, the international development banks and contractors. But some of the greatest culprits are Export Credit Agencies of wealthy countries, who use public money to invest in gas under the guise of the euphemistic 'development of Mozambique'. In reality this is no more than neocolonial extractivism, exploitation by northern countries who grab our resources, increase poverty, pollute our water and rivers, and exacerbate the climate crisis which ultimately disproportionately damages Southern countries.

This economic model that allows corporations and governments to violate human and environmental rights with impunity, needs to be replaced by one that brings real solutions to the climate and other crises we are living through today.

This report has been written by organisations from six countries, including Mozambique, collectively campaigning against the gas industry in Cabo Delgado. But most importantly, this report has been created with the invaluable stories from people, affected community members who have put their lives at risk to provide testimonies.

This report is crucial to bring justice for the Mozambican people. It details the impacts of this industry and unwinds a spiderweb of complex economic information, so the international public can understand how governments are using tax money to fuel destruction in a place they think no one will notice, and why they need to be stopped, immediately.

Anabela Lemos

Director Justiça Ambiental, Mozambique



Anabela Lemos, Director Justiça Ambiental, Friends of the Earth Mozambique

Executive summary

The focus of this report is public finance support of Export Credit Agencies (ECAs) in the Netherlands, the United Kingdom (UK), the United States (US), France and Italy for Liquefied Natural Gas (LNG) projects in Mozambique. We have reviewed the impacts of the LNG projects in Mozambique in relation to the approval of public finance support. Our findings show that while the potential negative impacts of the projects were well-known in advance, the analysis and assessments of the ECAs reviewed were incomplete, inconsistent or incorrect and not in line with ECAs obligations regarding due diligence and transparency on issues such as climate change, environmental and social impacts and human rights. We are therefore calling on ECAs to withdraw their already committed support and not provide any new finance for LNG projects in Mozambique. Relevant governments, companies and ECAs need to ensure compensation and reparations for impacted communities and ecosystems. We also expect governments to develop and implement policies for a rapid phase-out of all public finance support for fossil fuel projects.

Gas in Mozambique

In 2010 and 2011, massive offshore gas fields were found in northern Mozambique. Large transnational corporations in oil and gas, with headquarters in high-income countries and supported by their governments, immediately started developing plans to exploit these gas fields for large profits, and almost completely for export, in close cooperation with the Mozambican government based in southern Mozambique. Three large Liquefied Natural Gas (LNG) projects with both onshore and offshore components have since been developed, collectively worth billions of US dollars: Mozambique LNG (TotalEnergies) and the Coral South Floating LNG project (Eni and ExxonMobil) which are in their construction phase, and Rovuma LNG (Eni, ExxonMobil and the Chinese National Petroleum Company (CNPC)) which has not yet started, pending its Final Investment Decision (FID).

Conflicts and instability

From the beginning, it was clear that gas extraction in northern Mozambique, more precisely in Cabo Delgado province, was associated with high risks. Cabo Delgado is one of the poorest regions of Mozambique, where residents feel abandoned by a government that has focused investment in the south of the country and a young generation of men, facing unemployment and little prospect of a future, have been showing signs of rebellion against the ruling power since 2007.¹ The presence of large amounts of valuable natural resources, such as gas and gold, from which the local population benefits little to not at all, constitutes a highly inflammable situation. This was further accel-

erated by a massive corruption scandal that came to light in 2016 - the Tuna Bonds scandal - which caused large debts and a deep economic crisis after the International Monetary Fund (IMF) and international donors withdrew their support to Mozambique.²

The gas projects have major impacts on the environment and the communities living in areas where the gas extraction companies construct their LNG plants and related infrastructure. For the construction of the onshore Afungi LNG park, 557 households will have to be relocated according to the industry³, leaving behind their homes and livelihoods, mainly farming, fishing and tourism. From the start, the resettlement consultation and plan were flawed and according to field research by Justiça Ambiental (JA! or Friends of the Earth Mozambique) more than half of the people who were forced to resettle are still waiting for the compensation they are entitled to at the date of publishing this report.

This combination of factors and developments fuelled the existing discontent in the area and contributed to violent insurgencies from 2017 onwards, causing death and terror among the local population. In March and April 2021, a violent attack on the town of Palma, in the heart of the gas extraction area, ultimately led TotalEnergies to declare Force Majeure.⁴ The Mozambique LNG project has been at a standstill ever since, and for Rovuma LNG, the Final Investment Decision has still not been signed after several postponements.

Amnesty International⁵ draws a horrific picture of the abuses and human rights violations by the insurgents, that include beheadings and chopping people into pieces. Young boys and girls are abducted to become part of the militias. Sexual violence is common and widespread. Consequently, the attacks on civilians have led to the displacement of hundreds of thousands of people and a large-scale humanitarian crisis in the area. The Mozambican government is intervening by deploying military and private security companies who in turn are also violating human rights and contributing to a further deepening of the crisis. On request of the Mozambican government the international community got involved as well. The Mozambican troops received training from the EU⁶ and the US⁷ and Rwanda and SADC⁸ are intervening with military forces. Journalists and NGO activists who report on the conflict are intimidated, illegally detained and even tortured or murdered which makes it hardly possible to get a good picture of the current situation in Cabo Delgado.^{9 10} It is beyond doubt however that security and stability in the region have been eroded to such an extent that no sustainable solution is in sight within the foreseeable future.

Climate change

In 2015, 4 years after the gas discoveries, countries agreed at the UNFCCC climate conference in Paris to limit global climate warming to well below 2 degrees Celsius, and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius.¹¹ The largest contributors to climate change are fossil fuels. However, instead of making immediate and strong efforts to further scale up renewable energy and phase out fossil fuels, the extraction and use of fossil fuels, and gas in particular, has increased significantly since that time. In this context, gas is promoted by some countries as a 'transition fuel', a necessary intermediate step between coal and renewable energy. However, scientific data shows that gas also produces high greenhouse gas emissions, particularly methane, and an increase in gas projects stands in the way of achieving the Paris goals.^{12 13}

Research shows that the three gas extraction projects in Cabo Delgado have the potential to result in an enormous release of greenhouse gas emissions, which could increase the whole of Mozambique's emissions by 14%.¹⁴ The end use/burning of the gas (scope 3) for the Mozambique LNG project, estimated to be around 116 MtCO₂e per year, is equivalent to the total emissions from the aviation sector for all EU member states combined.¹⁵ Ironically, Mozambique is extremely vulnerable to climate change and is already struggling with the severe impacts of drought, flooding and weather extremes. The LNG projects will only further exacerbate climate change. Combined with poverty and weak institutional development, extreme weather events have a devastating impact on the population, especially along the densely populated coastal lowlands.¹⁶

Lack of economic benefits for Mozambique

The gas projects in Mozambique are touted by fossil companies as essential to Mozambique's economic development. However, the 'gas for development' story is failing desperately for a multitude of reasons. Revenues from the projects will first and foremost benefit the foreign companies involved and in this process billions are lost for Mozambique through tax evasion structures set up by the companies¹⁷, a weak fiscal context and low governmental capacity.¹⁸ Mozambique is the last one on the list to benefit from the gas extraction, after all investment costs have been covered, which will likely take at least another 10 years.¹⁹ Meanwhile, the gas-related conflict, as well as corruption and debt issues linked to the gas discoveries, are tormenting the country and have worsened the economic situation and instability instead of making things better. There are no solutions in sight. In addition, worldwide gas prices are highly volatile, making it difficult to foresee the long term future of potential revenues. Even though current gas prices are high, the future of gas is looking less optimistic than expected due to changing global climate and energy policies.²⁰ As the world is moving towards phasing



Instead of making immediate and strong efforts to further scale up renewable energy and phase out fossil fuels, the extraction and use of fossil fuels, and gas in particular, has increased significantly

out fossil fuel public finance and towards renewable energy, the economic prospects of gas will be severely affected and fossil fuel investments risk becoming stranded assets in the near future.²¹

At local level, the projects hardly provide any jobs for the population who instead have seen their livelihoods vanish. Making things worse, the *force majeure* has destroyed the local economy and small businesses that had come into existence alongside the gas industry. Also, with most of the gas being exported²² and limited investments in renewable sources, access to energy for the Mozambican people will not increase as a result of the gas projects.

Undermining a just transition to renewable sources of energy

The large investments in new fossil fuel projects are not only contributing to increasing greenhouse gas emissions but are at the same time slowing down investments in renewables. Research shows that new gas infrastructure locks in emissions for the long term. Multibillion-dollar gas infrastructure is designed to operate for decades to come, not to transition quickly to renewables. This is even more troublesome knowing that Mozambique has favorable conditions for both wind and solar energy. Already in 2018, the Netherlands Enterprise Agency, published a report on energy in Mozambique which pointed out that Mozambique possesses an enormous renewable energy potential, but that the development of renewables has been hindered by the country's dependency on fossil fuels and that fossil fuels will likely remain a driving economic consideration due to the substantial offshore gas reserves.²³ To date, the total international support for all renewable energy projects in Mozambique is 230 million USD – one-sixtieth of the amount of public finance for the Mozambique LNG project alone.²⁴

The role of Export Credit Agencies

Despite the harmful impacts of gas extraction projects in Mozambique and the associated risks, the LNG projects are supported by governments of middle- and high-income countries through Export Credit Agencies (ECAs). ECAs are government-affiliated financial institutions that provide credit, insurance or guarantees to companies doing projects abroad. The risks related to these commitments are borne by the respective governments.

The projects in Mozambique are supported by ECAs from China, France, Italy, Japan, Korea, the Netherlands, South Africa, the United Kingdom (UK) and the United States (US). In this report we focus on ECAs from the Netherlands, France, Italy, UK and the US, who together approved almost \$9 billion to Mozambique's gas projects in direct loans, credit and insurance. Through Freedom of Information (FoI) requests and other legal measures, Friends of the Earth (FoE)

groups and other environmental organisations²⁵ based in these five countries have tried to gain more insight in the ECA decision-making processes that led to the approval of public finance support to the projects in Mozambique. Unfortunately, these efforts have not resulted in full or even adequate disclosure.

Even though due diligence measures must be taken by ECAs and the OECD recommends transparency, it is for a large part unclear which analyses and assessments were used and on what grounds the projects were approved. The UK and US ECAs committed their support to Mozambique LNG after the first violent insurgencies started in 2017, the Dutch ECA ADSB even went as far as committing support one day after the violent attack on Palma in 2021 that ultimately forced TotalEnergies to declare *force majeure*. Throughout the project development process, concerned CSOs have been flagging the human rights risks and escalating conflict dynamics on the ground. In addition, all reviewed ECAs made their commitments after the so-called Tuna bonds corruption scandal and related economic crisis in 2016. Moreover, climate impacts were not sufficiently assessed even though experts have been warning for years about the impact and risks of continued investments in natural gas.

In the Netherlands and the UK, and probably also in other countries, the ECAs used a report by consultancy agency Wood Mackenzie to assess the climate impact of Mozambique LNG. The FoI process in the Netherlands led to the disclosure of this assessment, which shows that the approval of Mozambique LNG was based on an incorrect assumption and an incomplete calculation of emissions. Not only did Wood Mackenzie use a 2°C scenario instead of a 1.5°C scenario, it also did not calculate scope 3 emissions resulting from the project. The assessment also clearly indicates that it is unable to provide a definitive assessment on emission reductions of the Mozambique LNG projects, refuting the argument of 'gas as a transition fuel'. The Environmental Impact Assessment of Eni's Coral South FLNG project also lacks scope 3 as well as fugitive (methane) emission calculations and concludes that the emissions from the project are 'negligible'.²⁶

The FoI requests have so far not delivered all the necessary documents to ascertain that thorough due diligence took place regarding social and environmental impact, security risks and (the lack of) economic benefits but found merely assumptions that the projects will contribute to development and risks, including the violent conflict, will be kept under control. For example, the Environmental and Social Impact Plan (ESAP) related to the Mozambique LNG project has not (yet) been shared. Also, the (few) documentations received in the Netherlands to date, show that the approval was given while the ESAP was still being developed and that reservations and concerns from important actors like the Dutch

Embassy in Maputo were hardly considered. Altogether, the documents received and analysed create a picture in which the interests of domestic companies take precedence over the people in Mozambique and commitments to international policies and obligations.

Climate case in the UK

In the UK, Friends of the Earth EWNI initiated a litigation process, concerning whether UKEF's financial commitment to Mozambique LNG violates the UK's commitments under the Paris climate agreement. The first Judicial Review gave a potentially hopeful outcome in March 2022: One of the two judges judged UKEF's support to Mozambique LNG to be 'unlawful' and the case will now go to the Court of Appeal (final judgement expected in the second half of 2022 or early 2023). If the judges ultimately rule that the ECA commitment was indeed unlawful, it should be withdrawn. This can set a precedent for NGOs in other countries to launch similar lawsuits.

The end of public fossil finance: Glasgow Statement

Another important development is the recent commitment of 34 countries, including all countries reviewed in this report, and 5 financial institutions at the UNFCCC climate conference in Glasgow (November 2021) to stop funding any new unabated fossil fuel projects with public money by the end of 2022.²⁷ The UK had already developed a policy to end public fossil finance by the end of March 2021. The other signatories to the Glasgow Statement are now in the process of translating their commitment into policy. It will be crucial to ensure that countries comply to their climate commitments by the end of this year and introduce and implement policies that are well-defined, ambitious and in line with the latest scientific climate research on what is needed to limit global warming to 1.5°C. Such policies should not allow for exemptions for gas related investments.

Legislation to regulate corporations and enhance accountability

Apart from climate agreements, the Mozambique case also shows that ECAs and the companies they support are not taking sufficient measures to prevent and mitigate environmental damage and human rights violations, and fail to be transparent on how public money is being spent. The rapid development of international, regional and national binding legislations for transnational corporations and other companies across their global value chains could contribute to ensuring corporate accountability, which is urgently needed. However, even though promising developments are taking place at all levels, these policy processes are slow and holding companies and financial institutions accountable once legislation is approved, is yet another hurdle to take.

Recommendations

The humanitarian disaster currently taking place in northern Mozambique is linked to the gas discoveries and the operations of fossil transnational corporations and their financiers. ECA support for these projects has been essential: Given the large and well-known risks that the gas projects in the area entail, it is highly unlikely that companies would have taken these risks without the backing of public finance support.

The grounds on which the ECAs in countries like the Netherlands, France, Italy, the UK and the US, have approved their support are incompatible with these countries' commitment to the Paris agreement and national and international agreements on responsible governance. Below, we list urgent recommendations to address the current situation in Mozambique as well as recommendations to ensure that ECAs effectively phase out fossil support by the end of 2022.

1. Recommendations related to the LNG projects in Cabo Delgado, Mozambique

The LNG projects in Cabo Delgado, Mozambique, are incompatible with the 1.5°C global warming goal as set out in the Paris agreement and the projects have contributed to social tensions escalating into violent conflict and humanitarian disaster. It is therefore necessary to **end the industry's operations immediately, safely dismantle current infrastructure and ensure compensation and reparations to impacted communities and the environment, as well as support Mozambique's sustainable future by supporting the full development of its renewable energy potential.** All parties involved should take their responsibility in this process:

- **ECAs** from the Netherlands, France, United Kingdom, Italy, the United States, Korea, Japan, China and South Africa, and other investors, **should withdraw their financial support to the LNG projects in Mozambique** based on the grounds that the decision-making process was flawed and based on the wrong assumptions. In addition, the ECAs and other investors **should critically review their decision-making and due diligence processes** that led to the approval of support for the LNG projects in Mozambique and be transparent about this.
- **TotalEnergies should ensure an immediate, just phase-out of the Mozambique LNG project.**
- **Eni, ExxonMobil and CNPC should cancel the Rovuma LNG project**, not moving forward with the Final Investment Decision.
- **Eni and ExxonMobil should dismantle the Coral South FLNG plant**, ensuring reparations of current environmental impacts, as is incompatible with climate commitments, causes irreversible environmental damage and will not deliver economic development or prosperity for Mozambique.

- **TotalEnergies should ensure the full implementation of their resettlement commitments as laid out in the resettlement plan immediately** and generously compensate displaced people and repair broken commitments.
- **TotalEnergies, Eni, ExxonMobil as well as other companies and players, financiers and governmental actors must make reparations**, including ensuring financial compensation, for environmental destruction and the impacts they have had on communities, including displacement and loss of livelihoods, based on the demands of affected people.
- All companies, financiers and government actors should work together to **initiate sustainable development and just transition interventions and address the (effects of) violence, trauma, food insecurity, displacement**, by ensuring:
 - The **development and implementation of sustainable energy policies**, prioritizing energy needs of Mozambican citizens and renewable energy and energy efficiency;
 - The **withdrawal of military troops and private security companies** and addressing the serious human and women's rights violations and suppression by military forces, holding responsible parties accountable.

2. Policy recommendations to prevent and end harmful fossil fuel projects worldwide

In order to end (investments in) new, harmful fossil fuel projects, it is important that governments show ambition and urgency in the **implementation of the Glasgow commitment** ending direct and indirect public fossil finance and develop and implement **binding national, regional and international legislation to regulate corporations**.

- Recommendations on implementing the **Glasgow Statement on international public finance**:
 - **Define the term 'unabated'** to mean an end to all upstream and midstream fossil finance to avoid any misuse or continued support for fossil fuels.
 - **Define 'limited and clearly defined exceptions'** to ensure that these do not allow for support for gas infrastructure, anywhere in the world.
 - **Avoid an increase in direct support for fossil fuel projects before the 2022 deadline**: Review funding for all proposed fossil fuel projects to ensure they meet the Glasgow statement requirements before the end-2022 deadline to limit gas lock in.
 - **Ensure the commitment extends to related fossil fuel infrastructure**, including transportation, ports, airports, etc.

- **Extend the Glasgow commitment to domestic support for fossil fuels.**
- Further recommendations for **Export Credit Agencies and the governments behind them**:
 - **Ensure that ECAs act in line with the OECD Arrangement and the Common Approaches and ensure that the OECD Arrangement and Common Approaches are soon reviewed to align them to the Paris Agreement and Glasgow Statement.**
 - Ensure that ECAs rigorously improve and be transparent about their **Due Diligence practices** including **ensuring clear contractual clauses on when to pull out of a project.**

3. Recommendations for corporate accountability legislation

- Develop and implement strong and effective binding rules for corporations at national, regional and international level, **including constructively engaging in the process towards a UN legally binding instrument** to regulate transnational corporations in human rights law.
- Ensure that any **legislation to regulate corporations includes the legal responsibility of parent and outsourcing companies over their whole value chains and business relationships**, as well as provide justice and remedy for all affected people, as soon as possible and at all levels (national, regional and international). **New laws must clarify that the company's primary obligation is to prevent or bring an end to harm, and companies must not be able to escape liability for harm** by arguing that they have respected due diligence obligations.
- Ensure that any new legislation **includes administrative, civil and criminal liability when companies do not comply with their obligation** to prevent human rights violations and environmental harm, and **when they cause or contribute to violations and harm**, and the **removal of the obstacles that affected people face when seeking justice.**
- Ensure that **new corporate legislations include concrete obligations for all companies to identify the climate risks** in their value chains, **make a plan** to bring them in line with the Paris Agreement, including short, medium and long term emission reduction targets and **take measures to reduce their total emissions** (scope 1, 2 and 3) in their global value chains.
- Ensure that any new legislation includes **strong and effective enforcement mechanisms and adequate sanctions for non-compliance.**

I

INTRODUCTION

Mozambique is not only one of the poorest countries in the world²⁸, it is also home to one of the largest natural gas reserves in Africa. In 2010 and 2011, the US energy company Anadarko and Italian energy company Eni discovered large quantities of natural gas off the coast of the Cabo Delgado province in Northern Mozambique (Area 1, closest to the shore, and Area 4, respectively), making them the most prosperous offshore natural gas reserves in the country. In 2019, Anadarko's assets in Area 1 were sold to the French energy company TotalEnergies for a total amount of 3.9 billion USD.²⁹

The exploration of the gas fields has been negotiated between the Mozambican government and international energy companies without involvement of the local population. Currently, there are **three large liquefied natural gas (LNG) projects** planned or under construction in the Cabo Delgado province:

1. **Mozambique LNG:** The output, expected to be 12.88 million mt/year³⁰, from the gas fields in Area 1, will be transported to the onshore Afungi LNG Park through a 45 km-long subsea pipeline. At the Afungi LNG park the gas is cooled down to -162oC and transformed into liquid. It will then be exported to other countries through cryogenic vessel tanks or LNG tankers. The project is led by TotalEnergies and the Final Investment Decision (FID)³¹ of \$20 billion for this project was signed in 2019. The project is currently on hold due to the insecurity in the region.
2. The **Rovuma LNG project**, led by Eni, ExxonMobil and the Chinese National Petroleum Company (CNPC), is based on three gas reservoirs of the Mamba complex in the Area 4 block of the Rovuma Basin, located approximately 40km off the Cabo Delgado coast. The plan is for the gas to be transported through pipelines to the Rovuma LNG terminal which will be constructed at the onshore Afungi LNG park, where the gas is liquefied for further distribution. The FID to extract 15.2 million mt/year³² has been postponed multiple times and is still not signed.
3. The part of Area 4 that lies too far from the coast to transport gas to the shore through pipelines will be liquefied on-site. Therefore, a floating LNG (FLNG) plant with a capacity of 3.4 million mt/year³³, has been built in South Korea. The vessel arrived in January 2022 in Mozambique and the FLNG plant should become operational in the second half of 2022.³⁴ This project is the **Coral South FLNG project**, led by Eni and ExxonMobil. The \$7 billion FID was signed in 2017.³⁵

From the start, NGOs and experts have indicated the **harmful climate, environmental and human rights impacts** that the gas projects would cause, in combination with questionable (developmental) benefits for Mozambique and the people in Cabo Delgado. For the onshore Afungi LNG park, large resettlement plans of farming and fishing communities in these areas are incorporated, robbing people from their common

histories, houses and livelihoods. In addition, the Cabo Delgado is a conflict-prone province, which is further exacerbated by the gas discoveries and external interests in the area.

Even though the gas exploitation is associated with high risks and armed conflicts have led to extreme suffering and insecurity in Cabo Delgado and neighbouring provinces since 2017, **the projects are backed by Export Credit Agencies (ECAs) from 10 countries (China, France, Italy, Japan, Korea, the Netherlands, South Africa, Thailand, the United Kingdom (UK) and the United States (US)), providing insurance, guarantees, credit and loans worth billions of US dollars.**^{36 37}

What are Export Credit Agencies?

ECAs are private or quasi-governmental institutions that act as intermediaries between national governments and exporters to cover financial risks. This can be done through providing credit (financial support) or credit insurance and guarantees, or both, depending on the mandate the ECA has been given by its government. The risks on these credits, guarantees and insurance, are borne by the sponsoring government. Some ECAs can also offer credit or cover on their own account. Without government backing, this does not differ from normal banking activities.

In this report **we focus on ECAs from the Netherlands, France, Italy, UK and the US**, who together approved almost \$9 billion in public finance support to LNG projects in Mozambique. The focus on these five countries follows from several years of research by Friends of the Earth (FoE) groups and other environmental organisations³⁸ based in the respective countries to gain more insight in the decision-making processes within their country's ECAs. In this report we present our key findings and recommendations related to this European and US ECA support.

1. **United Kingdom:** UKEF financed the Mozambique LNG project for \$1.15 billion in loans and guarantees³⁹ (June 2020).
2. **The Netherlands:** ADSB provided export credit insurance to Dutch companies including Van Oord⁴⁰ to engage in Mozambique LNG projects for almost 1 billion Euro (25 March 2021).
3. **Italy:** SACE approved project finance for SAIPEM⁴¹ and Eni in the Mozambique LNG and Coral South

LNG projects respectively. SAIPEM benefited from a guarantee of \$950 million for loans covering its contract under the Mozambique LNG project in 2020; the Coral South LNG project was financed with a \$700 million guarantee in 2017 at the benefit of Eni.

4. **France:** BPIFrance provided an export credit insurance policy to seven financial institutions, including banks, for a total of \$450 million, to support the French company TechnipEnergies in engineering, providing equipment, constructing, installing, and commissioning the Coral South LNG project (approved late 2017).
5. **United States:** US EXIM (Export-Import bank) provided a loan of \$4.7 billion (September 2019⁴²) to support the export of U.S. goods and services related to the development and construction the LNG Afungi plant as well as the development of the Golfinho/Atum gas fields which will feed the LNG plant.

Without this ECA support, it is very unlikely that the companies involved would have taken the risk to engage in the Mozambique projects because of issues around corruption and an unstable economy, weak governance systems, escalating conflicts that have been plaguing the region since 2017 as well as strongly fluctuating gas prices. In March 2021 an extremely violent insurgence took place in Palma – a town located at the heart of the gas activities – leading to TotalEnergies declaring *force majeure*⁴³ in April 2021. The construction of the on-shore LNG plants and the related gas exploration has been halted ever since.

In addition to the acute safety and security risks, there are many questions on **why and how ECAs decided to support the projects** related to climate, environmental, developmental, and social impacts. In this report we will explore how Dutch, French, Italian, UK and US ECA support ultimately contributes to a wide variety of negative impacts on one of the poorest and most disadvantaged areas of the world, including hindering a just transition towards renewables, and what is needed to move towards climate and social justice.

This publication follows years of research by NGOs on ECA support for companies and transnational corporations, based in high-income countries, enabling them to implement fossil projects in low-income countries. Even though the OECD recommends ECAs to be transparent about their support and decision-making, this is mostly not the case. **Assessments of social, environmental and climate impacts and mitigation plans are not made public and for most ECAs it is even unclear when decision-making takes place and who is involved.**

To gain more insight in the decision-making processes around ECA support for the gas development in Mozambique, Friends of the Earth groups and other environmental organisations in the Netherlands, France, Italy, UK and the US are **seeking to obtain information and documentation in various legal ways,**



In this report we will explore how Dutch, French, Italian, UK and US ECA support ultimately contributes to a wide variety of negative impacts on one of the poorest and most disadvantaged areas of the world, including hindering a just transition towards renewables, and what is needed to move towards climate and social justice.

Project:	Mozambique LNG	Rovuma LNG	Coral South FLNG
Led by:	TotalEnergies	Eni, ExxonMobil and CNPC	Eni and ExxonMobil
FID year / amount:	2019 / \$20 billion	Not signed / estimated at \$30 billion	2017 / \$7 billion
Capacity	12.88 million mt/year	15.2 million mt/year	3.4 million mt/year
Projected start of the project:	2024	Unknown	2022
Onshore and offshore components:	Gasfields in offshore Area 1; Liquefaction at onshore Afungi LNG park.	Gasfields in offshore Area 4; Liquefaction at onshore Afungi LNG park.	Gasfields in offshore Area 4; Liquefaction at offshore floating LNG plant.
ECA support France, Italy, the Netherlands, UK and US	UK UKEF: 1.15 billion USD (June 2020) Netherlands ADSB: 1 billion Euro (25 March 2021) US US EXIM: 4.7 billion USD (September 2019) Italy SACE: 950 million USD (2020)	--	Italy SACE: 700 million USD (2017) France BPI France: 450 million USD (2017)
Other ECA support	Japan Bank for International Corporation (JBIC): \$3 billion loan Nippon Export and Investment Insurance (NEXI (Japan)): \$2 billion loan insurance Export Credit Insurance Corporation of South Africa (ECIC): \$800 million loan Export-Import Bank of Thailand (Exim Thailand).	--	Export-Import Bank of China (Exim China): \$500 million loan a-Import Bank of Korea (Kexim): \$500 million loan Korea Trade Insurance Corporation (K-Sure).

Table 1: Overview of LNG projects in northern Mozambique and ECA support

including through filing Freedom of Information requests to their respective governments. In some countries, this has led to some information being shared, but key documents – for example the Environmental and Social Action Plan for Mozambique LNG- are still not made publicly available.

The ongoing pressure of NGOs is reaping some results though: for example, in **the Netherlands**, questions by Parliamentarians resulted in the announcement of an **independent investigation** on the financial commitments of ADSB in relation to the Mozambique LNG project, particularly in relation to the safety and security situation.

Another interesting development is a **climate court case in the UK** in which Friends of the Earth England, Wales and Northern Ireland (EWNI) challenges the approval of \$1.15 billion by the UK Export Credit Agency UKEF. EWNI claims that this approval was unlawful as UK Export Finance has mistakenly concluded the climate impacts of the Mozambique LNG project we're in line with commitments under the Paris Agreement. A recent court order (16 March 2022) showed that the Judicial Review resulted in a stark disagreement between two High Court judges. One of the judges ruled that the approval was indeed unlawful, yet the other judge did not agree. The case will now be sent to the Court of Appeal for a decision.⁴⁴ If the Court of Appeal finds the approval

unlawful, the ECA decision should be retaken resulting in the withdrawal of support and similar cases can be expected in other countries. More information on the case can be found in Chapter 3.

II

**IMPACTS
OF LNG
PROJECTS IN
MOZAMBIQUE**

The **Mozambique LNG** project intends to extract 65 trillion cubic feet of natural gas. The gas will be liquefied and stored in tanks at the onshore Afungi LNG park, which covers an area of 70 km² and includes a dock to accommodate LNG carriers and two airstrips.⁴⁵ The *Afungi LNG park* will also hold facilities for the other two projects. For the Mozambique LNG project, the Afungi facility is expected to produce 12.9 million tonnes per year of LNG in its initial phase, which can be expanded to 43 million tonnes.⁴⁶ The construction of Mozambique LNG started in August 2019 and the start of production is scheduled for 2024. However, the construction has been halted since TotalEnergies declared *force majeure* in April 2021 and it is uncertain when it will restart.

Patrick Pouyanne, CEO of Total, stated in February 2022 that *'we will not build a plant in a country where we'll be surrounded by soldiers'* and *'we'll not relaunch the project as long as I see photos from refugee camps around the site'*⁴⁷, but at the same time the company also indicated its ambition to restart in 2022.

The **Rovuma LNG** project has not yet started, pending the FID. It is the largest of the three projects, covering 2,500 billion m³ of gas and its estimated costs are 30 billion USD.⁴⁸ The **Coral South FLNG project**, which plans to extract 450 billion m³ of gas, operates almost completely offshore and is therefore less influenced by the security situation in the Cabo Delgado province. The FLNG Terminal has been built in South Korea. It sailed away in November 2021 and arrived in January 2022 for gas production to start up in 2022.⁴⁹

All three projects are associated with **severe negative impacts on a whole range of issues**, including climate change, the environment, local communities and livelihoods, corruption, conflict and security. Even though many of these risks were well known before the start of the projects, they have largely been ignored or downplayed when financial commitments by different ECAs were made. In addition, there are many reasons to assume that the projects will not reap benefits for Mozambique nor for the local population. Quite contrary, the large and long-term investments in LNG are undermining Mozambique's potential for a just transition to renewable energy like solar and wind (see Chapter 3).

Climate impact

Gas is often presented as a 'clean' or 'environmentally friendly' fossil fuel, compared to coal. However, even though gas produces about half of the CO₂ when burned compared to coal, the greenhouse gas emissions that take place along the whole supply chain are conveniently forgotten in this frame. In addition to direct emissions from burning gas, gas production leads to vast amounts of methane leakage along the whole supply chain. Methane is a greenhouse gas with a warming effect 80 to 90 times stronger than CO₂ over a 20 year timescale.⁵⁰ Moreover, even if gas would reduce current CO₂ emissions to some extent, it will

not be enough to limit global warming to a maximum of 1.5°C, which would require drastic and lasting emission reductions as soon as possible and does not allow for any new fossil fuel projects according to the International Energy Agency (IEA).⁵¹ Expanding the global gas sector as is currently happening, stands largely in the way of reaching the Paris agreement.⁵²

The most recent IPCC report (4 April 2022) states that **the next few years are critical to limit climate change** and that methane emissions are a huge concern: *In the scenarios we assessed, limiting warming to around 1.5°C requires global greenhouse gas emissions to peak before 2025 at the latest, and be reduced by 43% by 2030; at the same time, methane would also need to be reduced by about a third.*⁵³

Yet, **the three gas extraction projects in Cabo Delgado have the potential to result in an enormous release of greenhouse gas emissions**, especially methane, which could increase the whole of Mozambique's greenhouse gas emissions by 14%.⁵⁴ The end use/burning of the gas (scope 3) of the Mozambique LNG project, estimated to be around 116 MtCO₂e per year, is equivalent to the total emissions from the aviation sector for all EU member states combined.⁵⁵ According to FoE France, the total emissions of all three projects amount to 49 years of the current emissions of Mozambique.⁵⁶

Ironically, **Mozambique is one of Africa's most vulnerable countries to climate disasters**, such as droughts, floods and cyclones which are already occurring more and more frequently.⁵⁷ The LNG projects will only further exacerbate climate change. Combined with poverty and weak institutional development, extreme weather events have a devastating impact on the population, especially along the densely populated coastal lowlands.⁵⁸ Women and girls are particularly vulnerable to negative and long-lasting effects of climate change and disasters due to their socio-economic status, power imbalances and specific roles in the community and the family.

Environmental impact

The development of natural gas in northern Mozambique has a **huge negative impact on the environment in Cabo Delgado**. The sheer area of the project is massive. In addition to the 70 km² Afungi LNG park, the subsea gas fields of Area 1 cover approximately 350 km². Area 4 is even bigger, covering 10,207 km². The extraction, processing, and transportation of gas requires dredging, drilling, disposal of (toxic) waste materials both offshore and onshore, and the construction of extensive subsea, near-shore, and on-shore structures and infrastructure. Proponents of the projects frankly acknowledge substantial short- and long-term impacts like noise disturbance, habitat destruction, biodiversity loss, vessel strikes⁵⁹, and lighting impacts⁶⁰ from the various aspects of the project, including offshore drilling, cutting trenches for pipelines and shipping channels, construction of the

LNG facilities and associated shipping terminal and airstrip, and the operation of the facilities.^{61 62}

The construction of the Afungi LNG park destroys farmlands, forests and the natural shoreline, places that are home to many animals and plants as well as local communities who are highly dependent on the land and the ocean for their livelihoods. The coast of the Cabo Delgado province had recently attracted increasing numbers of tourists who visited for the beautiful scenery as well as its diving and snorkelling potential. Due to the LNG projects, the islands of Tecomaji, Rongui, and Queramimbi, lost their attraction as tourist destinations.⁶³

The oil and gas exploration and development activities produce anthropogenic noise under water, including through seismic surveying to detect oil and gas deposits underneath the ocean floor. The habitat degradation, biodiversity loss and noise resulting from the gas projects, will force animal species to leave the area. The traffic to and from the extraction wells and the floating LNG processing plant will also put the wildlife that surrounds the plant at risk. Moreover, if spills or gas accidents, which have become prevalent at energy extraction sites⁶⁴, occur, the impacts will be catastrophic. These activities and impacts will also affect the Quirimbas National Park, which lies only eight kilometers from the southern boundary of Area 1.

Impact on Livelihoods, loss of land and housing: Displacement, accommodation and compensation.

According to the industry, **557 households in Cabo Delgado will have to be relocated** for the development of Mozambique LNG Project and the Area 4 Rovuma LNG Project. These families will have to make space for the onshore Afungi LNG park which will house the facilities for the companies and contractors involved in the industry. To manage the displacement of these communities, a **resettlement plan** was developed by Eni and Anadarko. The plan was approved by the Government of Mozambique on 8 November 2016 and Anadarko initiated its implementation on 6 November 2017.⁶⁵ The resettlement is currently led by TotalEnergies, who took over Anadarko's project. At their Annual General Meeting (AGM) in 2021 TotalEnergies indicated that 404 families had been relocated.⁶⁶

Relocated communities who lost their land were meant to receive small plots and cash compensation for their losses, however **the compensation process proved inadequate,^{67 68} and the system to track people is flawed.** For example, if people who are entitled to compensation die, their family members have a hard time accessing the compensation money. This is further complicated by the increasing violence in the region (see below) in which people were killed or forcefully displaced. The compensation process also led to conflict between communities as people outside of the concession area also experience huge impact from the project but are not compensated. Since TotalEnergies claimed *force majeure* in April



The three gas extraction projects in Cabo Delgado have the potential to result in an enormous release of greenhouse gas emissions, especially methane, which could increase the whole of Mozambique's greenhouse gas emissions by 14%.

2021, the compensation payments stopped completely according to Justiça Ambiental (JA! Friends of the Earth Mozambique), leaving people to survive on humanitarian aid in the wake of a full-blown insurgency.

JA! gathered information about the resettlement process with the families and communities that were affected.⁶⁹ They found that **resettlement problems had already started during the community consultation process, a process that was not in line with Free, Prior and Informed Consent (FPICt) principles.** When Anadarko, and later TotalEnergies, representatives, visited communities for consultation meetings they were accompanied by a military entourage. This, along with the presence of leaders who often have a beneficial relationship with the company, meant that community members were too afraid to speak out and dissent, even if they disagreed. In some villages, community members signed forms in Portuguese, which they could not read or understand. Some even ended up agreeing to a meagre \$50 for their land. Many people were offered plots of farmland, or machambas, only a tenth of the size of their original plots. It also proved problematic that the compensation process was done in a public place and the contract was read out loud with photo and video recording. As a result, it was publicly known how much people received, which made them targets of extortion, ransom and kidnapping by police, military forces and criminals.

Displaced fisherfolk were moved from living metres from the sea to many kilometres away in a relocation village called Quitunda, where they have no access to the ocean. They were assigned the use of nearby fishing grounds in the village of Salama, but were not provided with any boats. The only way for them to get to the beach is by taking a bus, operated by TotalEnergies, that goes back and forth once a day. However, taking a bus to go fishing is not workable, as fishing cannot be done on a fixed schedule. Women, who would collect shells, plants and small animals at the shore, are also restricted now. **For the relocated farmers, so far, JA! found that less than half of them received adequate land.** Many are still waiting and for others the new 'machambas', or farming plots, are not only small but are also located far from the communities' new homes. This is a major problem, as many families are afraid to travel the distance because of attacks by insurgents. In addition, some of the newly allocated farmland is near another village, Senga, and is already used by the residents of the village. Not surprisingly, this provoked conflicts between the existing and relocated communities.

Justiça Ambiental interviewed people before (2018) and after (2020) their resettlement. Their testimonies show that **promises have been broken and that the lives of relocated families have deteriorated since transnational corporations began the gas development.**

Until the moment Anadarko came, they found us living here. Our main activity is fishing, that's how we manage to feed ourselves and take our children to the initiation rites. When Anadarko came, they told us that we are already entering the stage of being displaced from here. Now, there where we are going, they are telling us that they are going to allocate us one and a half hectares for each person. That is bad. Another thing is that we have lived here for a long time and we have our property here. We don't refuse to leave but the way we're being treated we're not getting it. When they do the census of the fields they only count the cashew trees, they leave out the cassava⁷⁰ plants.

Arab Nchamo (2018, before resettlement)

When the company started to resettle people in Quitunda, I didn't want to go there, because in my opinion there are some flaws in this process. Because before, they said that they would allocate us farms before we went to Quitunda and that we would be compensated for the farms that we lost, and also that they would show us the new fishing grounds. So far, none of these promises have been kept. Since they took us away they still haven't told us where we are going to put our fields and our life is no better. The company has still not completed the compensation payment.

Arab Nchamo (2020, after resettlement)

The contribution that women make to their families is not sufficiently recognized. Women often work the land that is owned by their husbands or other male family members and their work is not converted into value. One woman explains:

Until this age that I am today, my life is agriculture. Only yesterday I was outraged because we as wives live on our husband's property, and it is on these properties where we produce cassava, where we have our fields. But when the owners come, they come to register their goods and we who make cassava are left out.

Bia Issa, wife of Arab Nchamo (2018, before resettlement)

When we arrived they started to make agreements. When they made an agreement with the owners of the land where I was farming, all the assets went to them.

I cried so much, I stayed all the time crying, until I slept at the fire. I didn't even wear clothes, I didn't eat and I even became thin. When I went to Anadarko, they said that my husband was the one who benefited from everything. I was crying all the time.

Bia Issa (2020, after resettlement)

All in all, the compensation process shows that **the fossil fuel industry is not able to oversee, compensate or repair the impact of the LNG projects on local communities**, including ensuring an inclusive gender-sensitive approach.

LNG development and escalating violence

The Cabo Delgado Muslim-dominated province is one of the poorest areas of Mozambique, where conflict has been boiling for many years. 52% of Mozambicans live in the four northern provinces, where the poverty rate is 68% compared to 19% in the South.⁷¹ Already in 2007⁷², frustrated ethnic Makua youth in the southern part of the province denounced the authority of local religious leaders. Ethnic Mwani militants in the coastal district of Mocímboa da Praia had joined the fight by the mid-2010s. The group was making demands for a more conservative social order such as calling for alcohol bans and for children to be educated in *madrasas*⁷³ instead of state schools, but their anger was also fuelled by their economic exclusion amid the discovery of rubies and natural gas. The confiscation of the natural gas in northern Mozambique had been prearranged by the southern-based regime and the local population was not engaged in the decision making and planning of the gas projects. When authorities expelled artisanal miners from commercial mining concessions in early 2017 the boiling resentment and local discontent rose even further. Militants, known to locals as Al-Shabaab⁷⁴ moved to armed revolt and aggressive attacks on civilians, in October 2017.⁷⁵ **The attacks, that have continued and further escalated ever since, caused large-scale insecurity and displacement.** Between January 2017 and April 2021 almost 3,000 people were killed.⁷⁶

However, despite the violence and the precarious situation in the Cabo Delgado, the gas development, including the forced resettlement, continued between 2017 and 2021. This came to an abrupt ending after **a violent attack by insurgents on Palma city on 24 March 2021, killing dozens of people including foreigners working in the region.**

Palma city used to be just another small fishing town but had become the hub of Mozambique's gas industry. At the time of the attack, Palma was a rapidly growing town with significant foreign investment and more than 1,000 foreign workers linked to the gas industry. Reuters reported 12 people, possibly foreigners because they were white, were beheaded.⁷⁷ The attack started only hours after TotalEnergies announced an agreement with the Mozambique government to restart work on the Afungi LNG plant which had been suspended since January 2021 after a series of insurgent attacks on the complex.⁷⁸ During the Palma attack, there were 800 soldiers protecting TotalEnergies workers at the Afungi site, while there was only a handful of security protecting the people in the town⁷⁹, leaving local people unprotected and at the mercy of the attackers. Even though Palma was a known target, no emergency plan was in place.⁸⁰ **On the 26th of April 2021, TotalEnergies declared force majeure** on the Mozambique LNG project and confirmed it had withdrawn all staff from the construction site because of the escalating violence.⁸¹ Up until now, the company has not returned⁸² but the company intends to restart operations in 2022.



Despite the violence and the precarious situation in the Cabo Delgado, the gas development, including the forced resettlement, continued between 2017 and 2021.

In 2021, Amnesty International reported: *Al-Shabaab's abuses have been horrific. The group's fighters deliberately kill civilians, burn villages and towns, and commit heinous acts of violence with their machetes with such regularity that residents use two separate words, "beheaded" and "chopped," to differentiate between the methods of murder; the first is a beheading, the second a quartering, as one would cut apart an animal being butchered. Fighters have also abducted young women and children, including girls as young as seven.*⁸³

The violence and the conflict in Mozambique affect women and girls in different ways than it affects men and boys. Women and girls have been abducted by the insurgents to become wives and concubines and to do chores like cooking and cleaning. The government forces seem unable to protect women and girls from this kind of sexual and gender-based abuse. Even worse, the government forces are known perpetrators of abuse themselves (see below).

Government response

The Government's response to these attacks has led to further human rights abuses. Government forces have detained and tortured journalists for covering events in Cabo Delgado and subjected civilians suspected of supporting the armed group to searches, looting, and arbitrary detention. According to Amnesty International, government forces have conducted extrajudicial executions, committed acts of torture and other ill-treatment, and mutilated the bodies of their victims. JA! found that some resettled community members accuse the military of extorting people for their compensation money. There are also widespread reports of Mozambican government soldiers raping and sexually assaulting women and girls, although the government has repeatedly denied any human rights abuses.⁸⁴

Violence is also perpetrated through private security forces hired by the government of Mozambique. For example, after security forces, such as the Russian Wagner group⁸⁵, lost a number of battles in 2019, the government hired a South African private military company called Dyck Advisory Group (DAG) to fight the insurgents using armed helicopters. According to 53 witnesses interviewed by Amnesty International, DAG has fired machine guns from helicopters and dropped hand grenades indiscriminately into crowds of people in 2021, failing to differentiate between civilians and military targets.⁸⁶

In August 2020, as the insurgency was coming closer to the Afungi LNG Park, **TotalEnergies signed a security agreement with the Mozambique government.** Under this agreement, TotalEnergies would provide funding and logistical support for a Joint Task Force of Mozambican forces that would be defending the project. Reportedly, the agreement has been linked to corruption cases, where generals in Maputo would be taking funds that were meant to pay the troops at the project site.⁸⁷

Among the local population, there is a general sense that the **government wants people to move out of the Cabo Delgado to make space for gas extraction and mining for other natural resources, such as precious stones, heavy sands and gold.** In all cases the local population is not benefitting from these resources. In February 2021, CSOs interviewed displaced people to get their perspective on the situation.⁸⁸ They state:

'It is the contention of many of the Internally Displaced People (IDPs) interviewed for this report that they are being displaced so that their land can be given to either multinational companies or the local elites. Academic and researcher Yussuf Adam said that displaced people told him, the objective is "serving to exile them from their lands without paying them compensation." Locals from the north of Cabo Delgado have consistently said that the narrative of "Islamic Jihadism" is a smokescreen – that the real agenda is to drive them off their land, so that the land can be given to prospectors and investors. Their suspicions are not without justification. A map released by the Mozambican government⁸⁹ shows that the entire Cabo Delgado (except for nature conservation areas) as well as the entire Nampula Province (with the exception of the areas around Nampula City) has been given to prospectors and investors.'

Militarization of Cabo Delgado

The Mozambican government called upon the international community for support to manage the situation in Cabo Delgado. The US and the European Union (EU), through the former colonial power Portugal, helped with training Mozambican soldiers.⁹⁰ Reportedly, former British SAS fighters have trained Mozambican forces in the coastal city of Nacala (Nampula province).⁹² As of the 15th of July 2021, the Southern African Development Community (SADC) got involved *'to combat terrorism and acts of violent extremism'* in Mozambique. Troops from Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, South Africa, United Republic of Tanzania and Zambia, counting up to approximately 750 people⁹³, are working with the armed forces of Mozambique.⁹⁴ Days before SADC's involvement, on the 9th of July 2021, Rwanda committed to sending 700 soldiers and 300 policemen to support the Mozambican troops.⁹⁵ **Together, the foreign troops and Mozambique's army have been able to reclaim significant territory from the insurgents, but this is unlikely to resolve the conflict stemming from deeper local grievances.**⁹⁶

Despite all the international involvement, the security situation remains problematic, with violence being reported both from insurgent groups, government forces, private security forces and international missions. Even though most of the violence is perpetuated by insurgent groups, it is important to **note the multitude of perpetrators of violence and the many ways that civilians are violated and then denied access to justice and accountability.** The Investigative Journalism Centre, Mozambique, notes that *'Understanding this is fundamental to unlocking some of the*

'push' factors that drive local communities to support insurgent groups.⁹⁷

Humanitarian disaster and refugees

Since the start of the conflict in 2017, at least 750,000 people have been displaced to escape from the violence and this number is likely to grow to 1 million people in June 2022 according to the UNCHR.⁹⁸ There is an urgent need for food, shelter, health services and protection, both for refugees as well as for people staying behind. In 2021 it was estimated that approximately 1.3 million people in Cabo Delgado needed urgent humanitarian assistance and protection.⁹⁹

Most of the displaced people sought refuge within the province or in the neighbouring provinces of Niassa and Nampula, but some also crossed the borders to Tanzania and Malawi. They stay at refugee camps, resettlement camps or with family and friends. The camps are overcrowded, primitive, lack privacy, and offer limited access to decent water and sanitation facilities and other basic services. People who are staying with family and friends are often contributing to increased poverty when already meagre resources are shared with more people. Refugees crossing the border to Tanzania or Malawi often face rejection and human rights violations, like pushbacks¹⁰⁰, because they are labelled as terrorists.¹⁰¹

Women and girls on the run are vulnerable for sexual and gender-based violence, and risk other disadvantages that will negatively affect them long term. For example, girls in camps are out of school and are likely to be forced into marriage or prostitution to support the family. The practice of trading sex for food assistance is on the rise and further aggravates the violence perpetrated against women and girls.¹⁰²

Freedom of Press and Civic Space

Press freedom is under very serious pressure in Mozambique and has worsened since 2015. Accessing the north of the country, where the LNG projects are, is virtually impossible for journalists without risking arrest according to Reporters Without Borders.¹⁰³ **Several journalists covering the Cabo Delgado conflict and its connection to the gas sector have gone missing, or faced torture, arrests and detention without charge.**

In 2019, journalist Amade Abubacar from Nacedje Community Radio was arrested, tortured and arbitrarily detained for three months without charge, after interviewing a group of displaced people. Amnesty International reported that he was *'being subjected to ill-treatment, including denial of food, family visits and medical treatment.'*¹⁰⁴

In March 2020, journalist Matias Guente at Mozambican newspaper Canal de Moçambique, wrote that Anadarko had paid the government to deploy more

soldiers to the area to protect its interests, and that this money went into the pockets of the then Minister of Defense. Three months later, Guente and the paper's executive director were charged with *'violation of state secrecy'* and *'conspiracy against the state'*. Two months after that, the newspaper's offices were petrol bombed.

In April 2020, Ibrahim Abu Mbaruco, a journalist at Palma Community Radio in Cabo Delgado, disappeared on his way home from work. Shortly prior to his disappearance, he sent a text message to a colleague saying that he was surrounded by soldiers. Reporters Without Borders and 16 other press freedom organisations wrote an open letter¹⁰⁵ to President Filipe Nyusi and military and government officials, requesting them to investigate Mbaruco's case. None of them responded. One month earlier, another local journalist, Roberto Abdala, had disappeared in the same region. Nothing has been done by the government to find either of them.

In addition, JA! and Civicus indicate that **the space for civil society has been shrinking as the security situation worsened.** JA! reports that there have been instances when outspoken community members have disappeared or have been threatened. In the most recent Universal Periodic Review (UPR) process of the Human Rights Council, the authorities denied CSOs and journalists access to work in and report from areas affected by the armed insurgency in Cabo Delgado and neighbouring provinces.¹⁰⁶

Addressing the roots of the conflict

Any attempt to find a successful solution for the conflict and the insecurity in the region, should address the root causes for the insurgencies, instead of only bringing more military and private security forces. Studies of violent extremism show that poverty, unemployment, state violence, political dissatisfaction and the presence of valuable resources are fertile ground for recruiting disaffected parts of the population into fundamentalist groups. **The insurgencies in Cabo Delgado are rooted in systemic and structural poverty and widespread social, economic and political dissatisfaction among the population, and particularly the youth.**¹⁰⁷

'The communities of Cabo Delgado have lived with a feeling of abandonment and marginalization by the state since colonial times, and that feeling continued after independence.'

João Feijó, researcher at the Rural Environment Observatory (OMR)

The currently unaddressed humanitarian crisis that evolved from the conflict, as well as the violence perpetrated by government forces and private security companies, further fuels the insurgencies. If these issues fail to be addressed, the conflict will continue to escalate.¹⁰⁸

Any sustainable solution will require a comprehensive, long-term strategy that looks at all aspects that contributed to the social breakdown, and includes the meaningful participation of the local population. The problems in Cabo Delgado are so deep-rooted and have escalated to such an extent that a short-term solution is unrealistic. At the moment, no start has been made on finding a sustainable solution.

Economic issues: Lack of economic development for Mozambique

*'A development model based on the extractive sector is a model that leads to collapse for poor countries with weak governance. It's a model that creates few jobs, leaves the economy undiversified, and produces an industrialization effect that is minimal. The majority of the population continue to live off subsistence farming, while watching the elite get richer—a perfect recipe for armed revolt. What sets Mozambique apart is that it has been acting out this scenario even before the LNG exploitation has begun. It simply does not have the governance to avoid the pre-source curse.'*¹⁰⁹

Thierry Vircoulon, Institut Français des Relations Internationales (May 2021)

Lower revenues

After the first discovery of **the large gas fields in northern Mozambique, the projected gas revenues have become central to Mozambique's development strategy.** Gas production and exports were expected to spur widespread industrialisation, fund public investments and pay down debt. TotalEnergies stated the following on their website, after they acquired Mozambique LNG: *The Mozambique LNG project is largely derisked since almost 90% of the production is already sold through long-term contracts with key LNG buyers in Asia and in Europe. Additionally, the project is expected to have a domestic gas component for in-country consumption to help fuel future economic development.*¹¹⁰

However, already in 2016, the International Monetary Fund (IMF) warned that *'although the economic potential emerging from the projects is tremendous, macroeconomic and fiscal implications are quite sensitive to international commodity price developments and other risks factors, highlighting that the government's authorities would be well-advised in taking a cautious approach.'*¹¹¹ Currently, the 'gas for development' story is failing. **The economic benefits failed to materialize due to the conflict, corruption, debt and tax issues** which prevent the Mozambican government from benefiting from the projects. In addition, **most of the projected profits will be kept offshore**, benefiting the foreign companies involved, and **revenues will be used to pay down debts** instead of using them for development.

In June 2018, the Instituto Nacional de Petroleo (INP)



As European governments try to get away from imported Russian gas, they may want to increase import from Mozambique, replacing one conflict for another, instead of diversifying to renewable sources and investing in energy efficiency.

projected the country's share of revenues from both Area 1 and Area 4 to reach \$49.4 billion over the life of the projects, with revenues increasing significantly after 2033. However, Open Oil analysis in 2021 estimated **both projects will generate only about 40% of this amount – about US\$18 billion - and 70% of that will only come after 2040.** Open Oil calculated that the LNG projects in Mozambique result in much lower revenues for Mozambique than expected and that billions are lost through special purpose vehicles in Dubai, exempting the companies involved from paying taxes on dividend and interest that would otherwise be at the rate of 20% in Mozambique. These exemptions reach \$5.3 billion for the Mozambique LNG and Rovuma projects alone. The stake of the Empresa Nacional de Hidrocarbonetos (ENH, the State's oil and gas company), projected to be worth \$1.1 billion, is virtually worthless because of the high project costs/debts and lower revenues of the projects and could be a liability for the government. **In 2021, Open Oil concluded that most of Mozambique's gas is already potentially stranded.**¹¹²

In addition to this, Centro Integridade Pública (CIP),¹¹³ a Mozambican NGO that deals with transparency, corruption and the budget of the Mozambican government, has expressed various **concerns about the fiscal context of the Mozambican LNG projects.** For example, in the contract with Anadarko, a 25% tax reduction on profits in the first 8 years was agreed. Making things worse, there are serious doubts about whether the Mozambican government has the capacity to audit the tax return of the companies involved.¹¹⁴

In general, the future of gas is looking less optimistic than expected due to changing global climate and energy policies and rapidly declining costs for wind, solar and batteries.¹¹⁵ However, **gas prices are known to fluctuate under the influence of international developments,** which we have seen over the last months. Gas prices increased strongly as a result of growing demand and the Russian invasion in the Ukraine. As European governments try to get away from imported Russian gas, they may want to increase import from Mozambique, replacing one conflict for another, instead of diversifying to renewable sources and investing in energy efficiency. Still, even if demand for gas and gas prices increase, it is highly unlikely that Mozambique or the people in Cabo Delgado will benefit from the LNG projects.

Corruption

The 'gas for development' story is also damaged by a **large 'hidden debts' corruption scandal that resulted in the IMF and international donors, including the Netherlands, to withdraw direct financial support to the country in 2016, triggering an economic crisis.**¹¹⁶ In the so-called 'Tuna-bonds Scandal' European and Russian banks, audit company Ernst and Young¹¹⁷, a middle-eastern business man and corrupt Mozambican officials arranged 2 billion USD in secret loans (equivalent to 12% of GDP) without approval of the

Mozambican parliament in 2013. The loans were meant for maritime security and the tuna fishing industry but millions in bribes and corrupt payments were siphoned off by officials and the projects have delivered no benefits to Mozambique. Even though this crisis is not a direct result of the gas discoveries a few years before the scandal, it was likely influenced by the expectations that the gas revenues could repay the loans. This assumption is substantiated by the fact that parts of the bonds were used to buy military equipment, that were meant to protect the gas reserves.¹¹⁸ **This is called the 'pre-source curse' effect: an increase of debts, corruption and instability following the finding of oil and gas resources, even before production is taking place.**

The pre-source curse is still continuing as the gas projects are delayed and debt is increasing as long as no repayments are being made.¹¹⁹ Ultimately, it is Mozambique that will financially suffer from the *force majeure*, not the industry. According to the IMF, Mozambique will not be able to make payments on these loans for decades.¹²⁰ This massive debt is holding Mozambique hostage to the corporations and financiers exploiting the gas and keeps the country dependent on potential revenues. **Once revenues from the gas exploration will occur, it is likely that priority will be given to repay holders of government bonds instead of implementing development policies.**

Lack of benefits for citizens

The exploitation of the gas fields was not only promoted for government revenues but also for wider economic development, benefiting the local population. The gas would industrialize Mozambique and increase access to energy. There is a high need for energy access as 70% of households in Mozambique lack electricity. The gas projects were expected to support local businesses and jobs, while earnings from the project could be re-invested into other promising sectors such as agriculture and tourism.¹²¹ In 2016 it was decided that 2.75% of the tax on production (imposto de produção) should be allocated to the development of communities in the areas where the projects are located. Whether or not the population will benefit from the gas revenues therefore also depends on the capacity of the Mozambican government to control the companies' tax declarations, which is questionable.

Currently, it seems unlikely that **the population will be benefiting at all** from the gas production, quite contrary, with hundred-thousands of Internally Displaced People (IDPs), people's lives and future perspectives have actually gotten worse. In Cabo Delgado, community members were promised employment, but the jobs did not materialise except for a small number of temporary and unskilled jobs, such as cooking, cleaning and construction work in the Afungi Park. Most of these jobs disappeared after the *force majeure*. In addition, the *force majeure* had a large impact on local businesses that depended on the industry as well as resettled communities that are still

waiting for compensation. Income that local communities were getting through the growing tourism sector in the area has evaporated. Also, energy access has not increased which is partly because only 12% of the gas extracted in the Mozambique LNG project will be used in Mozambique, predominantly by industries and businesses linked to the gas sector, and partly because the gas investments are standing in the way of developing decentralised renewable energy projects.¹²²

Conclusion

The LNG projects in Cabo Delgado, Mozambique, have a long list of harmful impacts on the people and the environment, both on land and on the ocean. The projects have led to forced resettlements and the further deterioration of economic hardship. In addition, the projects fuelled a violent conflict, insecurity, displacement, human rights violations and a deadlocked humanitarian crisis. On top of this, the projects will contribute to the further worsening of climate change and related climate disasters, bring no development to Mozambique and stand in the way of a just transition to renewable energy.

All these negative effects come as no surprise. Research and past experiences in other countries and regions largely predicted the current problems and long term effects, yet, no measures were taken to prevent or mitigate these effects.

III

**ECA
SUPPORT
FOR LNG IN
MOZAMBIQUE**

The LNG projects in Mozambique are supported through credit, loans, insurances and guarantees provided through a high number of Export Credit Agencies (ECAs). **In this chapter we will focus on support provided by ECAs from France, Italy, the Netherlands, the UK and the US, and review the decision making processes that led to supporting LNG projects in Mozambique.** ECAs of Japan, Korea, China and South Africa are also supporting the LNG development in Mozambique.¹²³

All 5 countries reviewed are participants of the **'Arrangement of Officially Supported Export Credits' of the OECD**, in which rules and guidelines are agreed that provide a framework for the use of officially supported export credits. The *'Arrangement'* came into effect in 1978. It is a Gentlemen's Agreement, not an OECD Act, and therefore not legally binding. Yet the implementation of the Arrangement is regularly monitored by the OECD. The Arrangement sets forth the most generous export credit terms and conditions that may be supported by the participating ECAs. It includes a section on assessing country risks according to the likelihood of whether they will service their external debts. Country risks encompass transfer and convertibility risks and cases of *force majeure* (e.g. war, expropriation, revolution, civil disturbance, floods, earthquakes). In addition, the OECD council adopted the **Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (the 'Common Approaches')** in 2012 and its revised text in 2016. Amongst other non-legally binding recommendations, the Common Approaches recommend that ECAs should:

1. **Encourage the prevention and the mitigation of adverse environmental and social impacts** of projects and the consideration of environmental and social risks associated with existing operations and take into account the benefits of any projects and existing operations supported, thereby enhancing the overall financial risk assessment process.
2. **Undertake appropriate environmental and social reviews and assessments** for projects and existing operations respectively, as part of their due diligence relating to applications for officially supported export credits.
3. **Encourage protection and respect for human rights**, particularly in situations where the potential impacts from projects or existing operations pose risks to human rights.
4. **Foster transparency, predictability and responsibility in decision-making**, by encouraging disclosure of relevant environmental and social impact information, with due regard to any legal stipulations, business confidentiality and other competitive concerns.

Lastly, ECAs are subject to their own (corporate social responsibility) policies and national laws and regulations, which includes, for example, ensuring that the

financial investments are not jeopardizing the goals of the UNFCCC Paris agreement or the Sustainable Development Goals (SDGs).

To gain insight in the ECA decision making process for LNG projects in Mozambique, NGOs in the Netherlands, the UK, France, Italy and the US used various ways of obtaining documentation on decision making processes, including FoI requests. Despite the recommendations and policies mentioned above, the involved NGOs have not been able to confirm that the decision-making processes to approve the ECA support for natural gas projects in Mozambique was based on proper assessments of risks and mitigation plans.

Incorrect assessment of climate impact

The UNFCCC Paris agreement that was signed in 2015 in Paris is a legally binding treaty to combat climate change. All signatories to the Paris agreement commit to limiting global warming to a maximum of 2°C and to pursue 1.5°C. In 2018, the IEA calculated that to stay within the 1.5 degrees scenario there is no space for new fossil power plants.¹²⁴ National governments are required to develop laws and policies in line with the goals of the Paris Agreement and *'make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'*.¹²⁵ This would include developing climate policies for public finance institutions like ECAs.¹²⁶ However, so far, **support by ECAs seem to be directly opposed to what is needed.** A study by Oil Change International and Friends of the Earth US estimated that in 2019 and 2020 the ECAs of G20 countries provided an annual average of \$40 billion to support fossil fuel projects, making them one of the biggest driving forces of (new) fossil fuel projects.¹²⁷

Consultancy agency Wood Mackenzie assessed the climate impact of the Mozambique LNG project¹²⁸ but **instead of using a 1.5°C scenario the consultancy firm used a 2°C scenario.** This is not in line with the Paris commitment, in which governments agreed to keep global warming well under 2°C and aim for 1.5°C. Wood Mackenzie also **did not take into account scope 3 emissions that would come from the project.** Scope 3 emissions are of crucial importance though, because they include the end use of the product: the burning of LNG for energy, when most emissions take place. The consultancy agency claimed to be unable to measure these emissions, yet, there is an international standard available since 2011.¹²⁹ Still, the Wood Mackenzie report was used to approve the financial commitments made by the ECAs in the Netherlands and the UK and possibly other countries and financiers as well. The Environmental Impact Assessment (2016) of the Coral South FLNG project concludes that the greenhouse gas emissions of FLNG can be assessed as 'negligible'.¹³⁰ This assessment also lacks scope 3 emission calculations as well as calculations for fugitive (methane) emissions. **In other words, ECAs have based their financial support on an incorrect climate impact**

assessment.

In addition, the justification for investing in this large natural gas project is based on the **incorrect assumption that gas is a harmless 'transition fuel'**, contrary to the latest climate science insights. For example, the documents received through the FoI request in the Netherlands showed that the Dutch ECA ADSB advised the Dutch government that gas is a transition fuel and even stated that the Mozambique LNG project is good for the climate by assuming that the gas will possibly replace the burning of coal, for example in Asia. However, this claim cannot be substantiated, and recent scientific insights show that fossil energy use worldwide (and their emissions) will only increase, despite increased investments in natural gas.¹³¹ Even **Wood Mackenzie stated that it cannot provide a definitive assessment on the emission reductions that would result from the Mozambique LNG projects.** It is highly unclear and questionable why and how this flawed climate argumentation led to the approval of financial support for the project.

Climate court case in the UK

Friends of the Earth EWNI is battling the decision of UKEF to support Mozambique LNG for 1.15 billion USD in court on two grounds related to the project's climate impact:

1. the decision was made on the incorrect basis that the project was consistent with the UK and/or Mozambique's commitments under the Paris Agreement;
2. the defendants failed to consider essential issues or carry out the necessary analysis to properly determine if supporting the project aligned with the UK's and Mozambique's obligations under the Paris Agreement.

On the 16th of March 2022, the court ordered the case to be sent to the Court of Appeal, as two High Court judges failed to agree on the case. **Justice Thornton, one of the two judges who heard the case, agreed with FoE EWNI's assessment that the decision to support the project, was granted without a complete understanding of its climate impacts.** She concluded that there was 'no rational basis' to show that the financing of the project was consistent with the terms of the Paris Agreement and international ambitions to limit global temperature rise to 1.5°C. According to her, its approval was therefore unlawful.

She ruled that *the direct correlation between greenhouse gas emissions and increase in temperature means that the reference in Article 2(1)(c) to "low greenhouse gas emissions" must be understood by reference to the temperature goal in Article 2(1)(a). Thus, the provision of finance must be consistent with a pathway towards holding global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C. Flows of finance are therefore a core element in meeting the temperature*

goal. This is the first time that temperature (Article 2(1)(a)) and the finance goals (Article 2(1)(c)) of the Paris agreement are explained and linked in a court ruling and it represents a major breakthrough.

Even though the split decision means that the judicial review did not yet succeed, the conclusion of Justice Thornton is promising for the case on the Court of Appeal as well as for similar cases in other countries to challenge the lawfulness of ECA support for LNG in Mozambique and other fossil projects. The final verdict is expected in the second half of 2022 or early 2023.

Our claim that the government's export credit agency acted unlawfully has today been vindicated by a High Court judge, but UK Export Finance has been let off the hook on a technicality, for now. Our fight for climate justice means that an appeal is now inevitable, and we remain confident of success in light of the compelling findings clearly laid out by Justice Thornton.

In the meantime, there are big questions for UKEF and for the government on whether it can feasibly still support this project when a judge has plainly said that its funding cannot rationally be considered compliant with the law. This case has shown that making poor decisions at the expense of our planet's future leaves the government increasingly vulnerable to climate litigation.

Will Rundle, head of legal at Friends of the Earth EWNI

Gas lock-in undermines a Just Transition

The large investments in new fossil fuel projects are not only contributing to increasing greenhouse gas emissions, but are at the same time slowing down investments in renewables that the world so desperately needs. Research shows that **new gas infrastructure locks in emissions for the long term.** Multibillion-dollar gas infrastructure is designed to operate for decades to come, not to transition quickly to renewables. **Given the barriers to closing down infrastructure ahead of its expected economic lifespan, it is critical to stop building new fossil infrastructure.** As long as fossil fuels are delivering energy, investments in renewables lag behind, and the Paris goals get further out of sight.¹³²

This is even more troublesome knowing that **Mozambique has very high potential for renewable energy.** The country consistently presents a high level of solar radiation throughout the year, making off-grid solar power an increasingly cost-effective option for realising full electrification, especially in rural areas currently deprived of energy access. Thousands of potential sites for solar energy have already been identified across the country by the Ministry of Mineral Resources and Energy.¹³³ Mozambique also has favorable conditions for wind energy along the coast and in the highlands. The falling costs for solar and wind technologies open the possibility for renewables to increase energy access for people and businesses, and even to export excess electricity to neighbouring

countries.¹³⁴ Decentralised, off-grid renewable energy is more sustainable and more resilient against climate impacts than fossil fuels. To date, however, renewable energy has received only a fraction of the focus and finance of the gas projects. The total international support for all renewable energy projects in Mozambique is \$230 million USD – one-sixtieth of the public finance provided to the Mozambique LNG project alone.¹³⁵

The undermining impact of continuous fossil development on Mozambique's renewable energy potential seems to not have been taken into account by the ECAs supporting LNG development in Mozambique. Already in 2018, three years before the Dutch ECA ADSB approved the Mozambique LNG support, the Netherlands Enterprise Agency, published a report on energy in Mozambique which pointed out that Mozambique possesses an enormous potential for renewable energy, but that the development of renewable resources has been hindered in the last two decades by the country's dependency on fossil fuels.¹³⁶

Unclear and inconsistent assessment of environmental and social impacts, including security

Although some information and documentation on ECA decision-making was retrieved through Fol requests, **one of the key documents that informs decision making is still not publicly available: The Environmental and Social Action Plan (ESAP)**. The ESAP is a 'living' document that describes the environmental and social mitigation and monitoring measures and criteria and organisational measures to be implemented during the pre-construction, construction and operation of the projects. It is not only an essential document for ensuring that the projects comply to environmental and social compliance requirements, but it is also crucial for the local population to have a say in how to manage the effects of the project.

There have been numerous warnings, particularly by Civil Society Organisations (CSOs), about **the massive impacts of the LNG projects on the environment, including on vulnerable ecosystems, and the communities in the Cabo Delgado**, as well as the likelihood that a highly inflammable social situation would get further out of hand, but **it is unclear how ECAs assessed these impacts**. The project is classified as a Category A, high-risk, project according to the OECD Common Approaches. Category A projects include pipelines, terminals and associated facilities for the large-scale transport of gas, oil or chemicals. Documents disclosed through the Dutch Fol process revealed an assessment of the environmental and social aspects that was used for the approval, but failed to disclose the required ESAP. The assessment document acknowledges and lists many adverse impacts and refers to several Environmental Impact Assessments (EIAs). Yet, these EIAs are not included nor are the planned mitigating measures. The document states that the lenders were still working on

finalising the ESAP. Despite these omissions, the assessment *concludes that the negative environmental and social impacts can be mitigated by measures to an acceptable level and that the project will be able to meet international standards by the time construction starts*.

Moreover though, the safety situation has been highly problematic ever since the first insurgencies in 2017 and the occurrence of severe human rights violations as well as large-scale displacement were well known ever since. Yet, **these warnings have been largely ignored and no proper documentation of risk assessments or security plans have been made publicly available by the ECAs involved**. For example, the Export-Import Bank of the U.S. (US EXIM) decided to lend the \$4.7 billion to Mozambique LNG despite even its own analysis that warned about security risks.¹³⁷

Mozambique presents a rapidly evolving security dynamic with an equally challenging physical risk scenario. The security environment is highly variable, security threats and risks to the project will evolve rapidly, and the situation is likely to worsen before it improves.

Taken from EXIM's Due Diligence documents required by Friends of the Earth US through a Fol request.

In the Netherlands, the advice from the Dutch Embassy clearly noted that *'The security situation is in fact deteriorating by the day, a risk that is underplayed in ADSB's underwriting proposal'*. The Embassy also indicated that it had serious doubts about the capacity of the Mozambican troops to keep the situation under control. Despite this, no adequate safety analysis and mitigation strategy and plan were found in the Fol documents. The Dutch Ministry of Foreign Affairs (May 2020) indicated in its letter to request approval of the ECA support that *'the businesses involved consider the safety risks to be acceptable, thanks in part to extensive safety measures on and around the project site, led by TotalEnergies and the Mozambican government'*. Still, the same letter notes that *'There are also reports of brutality and human rights violations by the Mozambican army and police in the region'* but that seems to carry less weight than that *'the project offers great opportunities for the NL business community'*. In December 2018, ADSB could not visit the project due to the security situation and had to resort to flying over the project site in a helicopter. Even more astounding is that the approval of the 1 billion USD insurance policy (25 March 2021) was given one day after the extremely violent attack on Palma town (24 March 2021). In December 2021 the Dutch government agreed to an independent investigation to this approval after the Fol documents led to Parliamentary questions.

Lack of assessment of economic impact, risks and corruption

Mozambique is one of the poorest and most heavily indebted countries in the world.¹³⁸ Deeply intertwined with the safety and security situation are the

economic situation and corruption issues in Mozambique. Already in 2016 and 2017, international donors including the IMF ended their development aid to the Mozambican government following the Tuna bonds scandal. **Corruption is a well-known high risk for investments in Mozambique and it is unclear how ECAs assessed and mitigated this risk ahead of their financial commitments.** For example, in March 2017, Dutch Minister Ploumen of International Development Cooperation stopped Dutch development support to the Mozambican government, yet the Dutch ECA ADSB approved its support to LNG projects in Mozambique in 2021. **The OECD Arrangement requires its participants to assess country credit risks, which includes the risk of *force majeure*.** Mozambique has been assessed to fall in the highest risk category (rated 7 on a scale of 0-7) non-stop since July 2015.¹³⁹ Also the IMF indicated in 2018 that Mozambique would not be able to make payments on its debts for another 5 years.¹⁴⁰ Yet, this **did not stop ECAs from providing export credit support.**

The gas extraction and LNG production projects are presented as an essential opportunity for Mozambique to lift the country out of poverty and debts. However, **there are no grounds that justify the 'gas for development' assumption** in a context where most of the gas will be exported, energy multinationals take most of the profits and the local population is not only not benefiting from the projects, but even losing their homes, livelihoods and security. The income from the project may possibly mitigate Mozambique's growing mountain of debt, but it may also increase it, especially because most of the revenues for the Mozambique will only come after 2040.¹⁴¹ The need for stability that is required for a successful project and emphasised by the IMF is directly opposed to the growing instability in the region. In addition, energy companies have been operating in Mozambique for many years, but with no visible benefit to the economy and local people. For example, Sasol's Pande and Temane projects in Inhambane have been producing gas for 14 years, the majority of which is sold to South Africa. These projects have created few permanent jobs for the local population, which has led to protests of young men demanding job opportunities.¹⁴² **The available ECA documentation provide no proper assessment of the economic impact and risks of the LNG projects nor on (the risks of) corruption in Mozambique.**

Lack of transparency

For all ECAs reviewed for this publication, **it has been largely unclear why and how the decisions to support LNG projects in Mozambique were taken.** This information is not published by default and important documents are not shared, even though the financial commitments are made with public support and the OECD 'Common Approaches' recommend transparency and disclosure of relevant environmental and social impact information. The FoI requests that were done by Friends of the Earth groups and other CSOs



Multibillion-dollar gas infrastructure is designed to operate for decades to come, not to transition quickly to renewables.



The OECD Arrangement requires its participants to assess country credit risks, which includes the risk of *force majeure*. Mozambique has been assessed to fall in the highest risk category (rated 7 on a scale of 0-7) non-stop since July 2015

take a long time and have not yet resulted in full disclosure.

In the Netherlands, the FoI process was slow and filled with hurdles. The NGOs involved had to start legal procedures to demand the requested documents. More than a year after the request was filed, key documents, like the ESAP, have still not been made public. In the UK, the financial support for Mozambique LNG was one of the largest financing packages ever offered to a fossil fuel project by UKEF. Despite this, and the fact that there was large controversy around the nature of the project at the time of a climate crisis, the Prime Minister was reportedly 'bounced' into it and decision making process was shrouded in secrecy.¹⁴³ FoE EWNl could not get access to key documents, including the Wood Mackenzie climate assessment and was only able to review the powerpoint presentation that was retrieved through the Netherlands' FoI request. Also in France, Italy and the US there is little transparency on decision making within BPI France, SACE and US EXIM.

Corporate interests take precedence over people, the environment and the climate

The fact that the environmental and climate risks, the security situation, human rights, corruption and the lack of development opportunities have all been systematically ignored or downplayed in the decision making process clearly shows that **economic interests of companies are placed above people, the environment and the climate**. The legally non-binding recommendations of the OECD Arrangement and the Common Approaches have been systematically ignored during the decision-making processes. Even more worrisome is the fact that even binding laws and regulations, such as commitment to the Paris agreement, seem to get bypassed and accountability is systematically undermined by a lack of transparency.

Ultimately, this system in which corporate interests are valued over people and the planet will backfire, as is already happening in Mozambique with the escalating situation on the ground, leading to death and suffering, displacing hundreds of thousands of people and locking the project into a force majeure. However, the world has no time to wait for the system to correct itself and for the climate crisis spinning out of control. It is in everyone's interest to ensure a fairer system sooner rather than later.

Conclusion

The findings in this chapter show that ECAs' approval of financial support for the LNG projects in Mozambique was not only based on wrong assumptions but was also not in line with key international and national standards for public funding. The conclusion of Justice Thornton in the litigation of FoE EWNl against UKEF shows that continued support for fossil fuels cannot be justified much longer. ECAs risk similar court

cases in other countries if they don't align their public finance support to international climate goals.

In addition to global warming, the projects have a major impact on the environment, human rights, violent conflicts in the region and social and economic disruption. All these risks and related impacts were known before the financial commitments were made. It is therefore incomprehensible and extremely irresponsible that over \$9 billion in public support has been pledged from the five countries we investigated for this report. **The countries and ECAs involved must take responsibility for their contributions to the crisis in Mozambique and the projects' climate impact by immediately withdrawing their support for the projects and address the consequences that have emerged as a result, ensuring compensation and reparations.**

IV

**PHASING
OUT
FOSSIL
SUPPORT**

If the world still wants to have any shot at achieving the climate goals laid out in the UNFCCC Paris Agreement in 2015, phasing out fossil fuels rapidly is absolutely crucial. To successfully limit global warming to 1.5°C, dramatic and unprecedented action, starting immediately, is needed. The IPCC report of February 2022 does not only show that too little action is taken and that the devastating and irreversible effects of global warming are accelerating beyond expectations, but also that climate change is dividing the world in two: *between those who have the resources to survive failing food systems, perilous heat and rising seas, and those who don't.*¹⁴⁴

The most recent IPCC report of April 4th 2022 concludes that limiting global warming to 1.5°C is still possible but the next few years are critical and that stronger alignment of public sector finance and policy is one of the urgent interventions needed.¹⁴⁵ In this light, the Mozambique case is a telling example of this lack of alignment and the urgency to change. It shows how **the continued public support for fossil projects through ECAs undermines the global climate goals as well as many of the Sustainable Development Goals, including ending poverty.**

Policies to phase out new fossil investments

Since the signing of the Paris Agreement in 2015, countries have been working on translating the climate goals to national policies and action plans, **yet overseas public finance for fossil projects remains unacceptably and dangerously high.** In 2019 and 2020, ECAs from G20 countries provided 40 billion USD to fossil fuel projects, more than 10 times more than the 3.5 billion they invested in renewables.¹⁴⁶ However, **the momentum to end public finance for fossil fuels has been building since 2020.**

The European Investment Bank (EIB) announced in 2019 to end financing for fossil fuel energy projects by the end of 2021 and focus future financing on accelerating clean energy innovation, energy efficiency and renewables.¹⁴⁷ At the Climate Ambition Summit on 12 December 2020, UK Prime Minister Boris Johnson announced the intention for the UK to no longer provide any new direct financial or promotional support for the fossil fuel energy sector overseas. He said:

“Climate change is one of the great global challenges of our age, and it is already costing lives and livelihoods the world over. Our actions as leaders must be driven not by timidity or caution, but by ambition on a truly grand scale. That is why the UK recently led the way with a bold new commitment to reduce emissions by at least 68% by 2030, and why I'm pleased to say today that the UK will end taxpayer support for fossil fuel projects overseas as soon as possible. By taking ambitious and decisive action today, we will create the jobs of the future, drive the recovery from coronavirus and protect our beautiful planet for generations to come.”



The most recent IPCC report of April 4th 2022 concludes that limiting global warming to 1.5°C is still possible but the next few years are critical and that stronger alignment of public sector finance and policy is one of the urgent interventions needed.

Following this statement, a consultation process was started to explore how to best make the shift from fossil investments to investments in clean energy. Civil society, including from the global South, as well as oil and gas companies and companies in the supply chain were engaged in this process. Based upon this consultation, **the UK government decided to phase out overseas fossil finance per 31 March 2021.**¹⁴⁸ This has been a crucial step in the right direction, even though there is space for improvement of the policy. CSOs are critical on the exemptions allowed for gas power, even if it's only under exceptional circumstances, and the coverage of only direct support rather than including the significant 'indirect' investments via major government investment bodies such as Private Infrastructure Development Group (PIDG) and British International Investment (BII), which could undermine the effect of the policy. For example, UK development finance institution BII supports a gas-fired power plant in Mozambique, known as the Central Térmica de Temane (CTT). The financial close on the project was announced in December 2021¹⁴⁹, nine months after the decision to phase out fossil finance and just days after the UK hosted COP26.

The other countries we reviewed for this report have so far adopted less progressive and comprehensive policies. For example, the Dutch ECA ADSB made a policy in 2020 that only included the end of financing for coal, 'unconventional' gas exploitation, for example through fracking¹⁵⁰, and routine flaring.¹⁵¹ At the end of 2020, France also adopted a climate plan regarding export finance, which includes ending support to unconventional oil and gas projects beyond 2021, ending support to oil exploration and production beyond 2025 and ending support to gas exploration and production beyond 2035. Not only are most of these restrictions too far away in the future, they also don't apply to transport infrastructures, which means that France could still grant guarantees to pipelines, or even gas liquefaction plants beyond these dates. FoE US analysed the current US restrictions on public finance for overseas energy projects¹⁵² and found several shortcomings: Current policy focuses mainly on power plants with little guidance on midstream and upstream projects¹⁵³; allows the U.S. Export-Import Bank to claim an exemption and allows many exceptions including for national security and energy access; fails to address financial intermediaries; and fails to improve the accounting of emissions. **Overall, there is a need for increased ambition when it comes to phasing out public fossil finance and the realization of the Paris agreement.**

In April 2021, Denmark, France, Germany, the Netherlands, Spain, Sweden and the United Kingdom launched the **Export Finance for Future (E3F) ministerial initiative for climate action.** The initiative resulted in a Statement of Principles aiming at *promoting and supporting a shift in export finance towards climate-neutral, climate resilient projects and investments.*¹⁵⁴ Even though the initiative is promoted as an important step forward, concerned NGOs indicated that the principles do not contain new commitments but reiterate what is being done already and that

the level of ambition expressed in the principles has not been materialised in concrete commitments and deadlines. The NGOs called on the E3F members to follow the UK's example by putting an immediate end to new export finance for fossil fuels.¹⁵⁵ This advocacy paid off when at the end of 2021, the UK launched the Glasgow Statement on Public Finance at UNFCCC COP26.

Glasgow Statement on Public Finance

At the UN climate conference (COP26) in Glasgow in November 2021, 34 countries, including the Netherlands, France, Italy, UK and US, and 5 financial institutions, signed **a statement committing to redirect their international public support towards the clean energy transition and out of unabated fossil fuels by the end of 2022, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.**¹⁵⁶

The UK already translated this commitment into policy and the other signatories to the statement are currently working on aligning their national laws and policies. For example, in November 2021 the Dutch Secretary of State said: *'All things considered, the government is committed to ending international government support for the fossil fuel sector by the end of 2022. ... It is important that a transition can be designed which is feasible, preserves knowledge and jobs and takes account of the effects on the least developed countries. The coming year will therefore be used to achieve a careful implementation with the sectors involved.'* The Dutch Parliament was updated on the progress in April 2022.¹⁵⁷ France and Italy are less transparent about what is happening and when a new policy can be expected. In France, for example, an expert report about the implementation of the Glasgow agreement has been commissioned but will not be made available to the public.

Immediately after the Glasgow conference, the members of the E3F initiative met again in an online conference to work together on aligning export finance towards a sustainable future. Belgium, Finland and Italy joined as new members of the initiative. The outcome of the conference focused on the need for increased transparency and cooperation but did not include concrete actions and commitments to ending fossil fuel investments.¹⁵⁸ NGOs responded critically and are demanding increased urgency¹⁵⁹:

Initiatives like Export Finance for Future and the recent UK-led COP statement on phasing out public finance support for fossil fuels have great potential to contribute to a just, fair and equitable transition. But a just transition is a transition that is in line with achieving climate goals as informed by scientific research – and scientists tell us that we need to take immediate action to avoid dangerous climate change. Export credit agencies and governments now need to quickly revisit their export finance policies and align policies with scenarios compatible with the 1.5°C temperature goal. High-level conferences on their own

are not going to solve the climate crisis – what is needed is resolute and bold climate action.

Davide Maneschi, Programme Officer Climate Change at Swedwatch

The United States signed the Glasgow declaration but are not part of the E3F initiative. After Glasgow, President Biden circulated a government-wide performance standard for all energy financing overseas, which has not been made public. Friends of the Earth US submitted a FoI Request to receive the standard, which has not yet led to its disclosure. While the current US restrictions on public finance for overseas energy provide for a potentially far-reaching national security exemption¹⁶⁰, US EXIM has declared that it remains focused on 'green' investments and committed to Biden's climate agenda.

Unfortunately, not all EU Member States undersigned the Glasgow agreement. However, in March 2022, the European Council approved conclusions on export finance in which Member States agree to align their ECA policies with a 1.5°C scenario and to determine their own science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects by the end of 2023. Even though this is less ambitious than the Glasgow statement which has the end of 2022 as the end date, it is still an important step in the right direction. The Council also calls for introducing financial mechanisms that incentivize environmentally sustainable projects into the OECD Arrangement.¹⁶¹

It is positive to see efforts by the European Union to push for an agreement on oil and gas at the OECD level, however we regret that Member States only agreed to adopt phase out policies by 2024 when it is clear we should have stopped fossil fuel expansion yesterday. We don't have the luxury of time and half measures.

Anna-Lena Rebaud, Friends of the Earth France

Recommendations to implement the Glasgow Statement on Public Finance

At the moment, **the Glasgow Statement leaves room for individual interpretation as to what the agreement means and entails exactly, and how it should be shaped into effective policy.** This could leave the door open for funding projects that are still fossil-fuel related and not in line with achieving the climate goals, which is a tendency that is also visible in national policies. The fossil fuel related industry invests millions of USD on an annual basis on lobbying decision makers and was highly represented at the Glasgow conference.¹⁶² The industry will continue to use its power to gain support for fossil fuel projects as long as possible and has no problem going against scientific research findings and consensus. It is therefore necessary to create more clarity, and not leave any space for multiple interpretations, about what can and cannot be funded to make a real move towards a more sustainable future and address climate change effectively.

Civil society groups from around the world have made recommendations to governments on how to implement the Glasgow statement in line with climate science. To begin with, it is important to define the term 'unabated' to avoid any misuse or continued support for fossil fuels. The best way to limit emissions is to avoid creating them in the first place; in other words, **putting an end to all new upstream and midstream oil and gas finance without exception.** Equipping power plants with Carbon Capture and Storage (CCS) or Capture Capture Utilisation and Storage (CCUS) comes with limitations, environmental health risks and high costs. Renewable electricity production is already vastly cheaper than fossil fuel electricity production with CCS or CCUS. Secondly, countries need to define 'limited and clearly defined exceptions' and ensure that these do not allow for gas lock-in, anywhere in the world. **Any new support to long-lived gas infrastructure, including LNG infrastructure, pipelines, and gas-fired power plants is incompatible with a just 1.5°C trajectory and should be excluded from ECA support.** Downstream exceptions such as for liquefied petroleum gas for cooking or heating, and fossil fuel generators in emergency response settings could be acceptable in rare cases where renewable alternatives are not viable.

In addition, it is important **to avoid an increase in direct support for fossil fuel projects before the December 2022 deadline and ensure the commitment extends to indirect support for fossil fuels,** including policy-based lending, technical assistance, diplomatic support and investments through financial intermediaries (e.g., private equity funds). Approving new fossil investments before the deadline and allowing indirect support for fossil fuels would undermine the effectiveness of the statement. Instead, high-income countries should **codify a substantial and long-term increase in international support for a just energy transition,** prioritizing the low income countries and communities that are the least responsible for climate change and likely to be the most impacted as well as those that have a significant energy access gap.

Once the meaning of the Glasgow statement has been further defined and refined, it is necessary to **secure new members of the initiative.** Some of the largest providers of public finance for fossil fuels (Japan, Korea, China, and Australia) and most Multilateral Development Banks (MDBs) have not yet signed the statement, though signatories together account for a significant share of the votes at the MDBs. Also, high-income countries should **extend their commitment to end their domestic support for fossil fuels as well and advocate for other signatories to do the same.** Last but not least, the commitments made in the statement should be **cemented in existing international policy processes** including at the MDBs, in the G7, G20 and the OECD.

Supportive policies and policy coherence

In addition to strengthening the Glasgow agreement to end new fossil investments, **it is also important to**

develop and ensure supportive related legislation to stop investments in high-risk fossil fuel projects that not only worsen climate change but also cause environmental disasters, social disruption, human rights violations and threaten the SDGs.

To ensure that companies, including financiers, prevent and address violations and respect the SDGs and the Paris Agreement to limit global warming to 1.5°C, governments need to develop legislation to regulate corporations and financiers to prevent or bring an end to harm and provide justice and remedy for all affected people. Strong and mandatory human rights and environmental due diligence legislation (mHREDD) can be a step in preventing companies' involvement in harmful projects like LNG projects in Mozambique and must enable those affected by such projects, to hold companies accountable for their impacts in court in the home countries of those companies.¹⁶³ Current voluntary due diligence processes of companies and financiers have proven to be inadequate. For example, the banks involved in the Tuna bonds scandal did not act in line with their own due diligence processes¹⁶⁴ just like the energy companies engaged in LNG projects in Mozambique have shown flawed due diligence regarding environmental, climate, social and economic impacts and risks.

There are several examples of national mandatory due diligence legislation focusing on specific sectors, for example the US act to disclose the use of conflict minerals¹⁶⁵, or on specific human rights violations, such as the Dutch child labour due diligence law¹⁶⁶ or the UK modern slavery act.¹⁶⁷ Yet, currently, **the only national legislation that adopts a cross-sectoral approach is the French law on the duty of vigilance (2017)**¹⁶⁸. This law requires all large French companies (with over 5,000 employees in France and over 10,000 in the world) to undertake due diligence regarding the companies they control, and all their contractors and suppliers. Companies that do not fulfil their obligation to publish a vigilance plan are liable to sanctions and payment of damages. However, it requires time and further elaboration to clarify what the companies covered by the law must comply with. So far, while the publication of vigilance plans has shed some light on the human rights and environmental policies of some major companies, several companies have not yet published a vigilance plan altogether. Overall, the general view is that the plans published so far lack essential information and fail to meet the requirements of the law. It is now up to the judges to rule on the exact contents of the vigilance plans, as 7 lawsuits have been filed by NGOs, unions and victims under the duty of vigilance law. Other EU countries, such as the Netherlands¹⁶⁹, are also working on developing cross-sectoral mandatory due diligence legislation.

In February 2022, the European Commission adopted a proposal for an **EU Directive on corporate sustainability due diligence**¹⁷⁰. This proposal applies to company's own operations, their subsidiaries and their value chains and includes the possibility to impose fines to companies that do not comply. In addition, victims of harmful projects will have the opportunity



The ECAs that back the projects in Mozambique should not only withdraw their support immediately, but also accept accountability for the damages done.

to take legal action for damages that could have been avoided with appropriate due diligence measures. Despite its intention to ensure justice, **the current text still leaves loopholes that will allow corporations to escape liability.** For example, corporations can verify through 'contractual assurances' from their suppliers that they comply with the companies' code of conduct. This way companies can escape providing remedy when they cause or fail to prevent harm. The proposal also fails to ease the massive burden of proof for people seeking justice for corporate abuses in EU courts. Lastly, the draft law fails to take the opportunity to hold companies liable for making inadequate greenhouse gas emission reduction plan or meeting the Paris targets.¹⁷¹ The next step is that the proposal will be presented to the European Parliament and the Council for negotiation and approval. Once adopted, Member States will have two years to transpose the Directive into national law and communicate the relevant texts to the Commission. **It is important that the current loopholes are addressed in the final text and national laws.**

Internationally, the Human Rights Council has been working for a number of years on a **UN Legally Binding Instrument (LBI) on Business and Human Rights** to regulate the activities of transnational corporations to prevent and remediate human rights abuses. The third revised draft was published in August 2021¹⁷² and negotiated by 70 states at the 7th session of the open-ended intergovernmental working group on Transnational Corporations and Other Business Enterprises With Respect to Human Rights in October 2021. Even though promising progress has been made over the past 6 years, a final binding instrument still seems far away as countries are very divided and several countries, including the US, the UK and Japan, even voiced the need for an alternative approach instead of a Legally Binding Instrument, which would be a huge step backwards in the process. **Continued pressure is needed to move ahead with the LBI.**

Conclusion

At international, regional and national level progressive and climate-aware governments and policy makers are increasingly working on developing the policies and legislation that are needed to achieve the Paris objectives and to prevent adverse environmental, human rights, social and economic impacts of corporate activities and projects. The momentum for change is building, after many years of silence, denial and underestimation of the impacts global warming and the role of fossil fuels.

Nevertheless, there are still shortcomings in current policy developments that need to be addressed in order to make the rapid progress needed. Firstly, it is necessary to leave no room for different interpretations of definitions and exemptions that would allow investments in and support for the fossil industry to continue. In addition, it is important that the phase-out of fossil finance and the scaling-up of renewable energy investments starts immediately. We

simply cannot afford to start any new fossil fuel projects that will continue for years to come. At the same time, policies aimed at tackling the climate crisis must be supported by policies aimed at regulating corporations to prevent environmental damage, human rights violations, corruption and other harmful side effects of profit-driven fossil projects.

Taking responsibility and accountability for the damage in Mozambique requires the companies involved to dismantle the current constructions and infrastructure and ensure compensation and reparations for impacted communities and ecosystems. The ECAs that back the projects in Mozambique should not only withdraw their support immediately, but also accept accountability for the damages done. All parties involved carry responsibility should work together to ensure sustainable development for Mozambique, including through supporting a just transition to renewable energy.

V

**RECOMMEN-
DATIONS**

The humanitarian disaster currently taking place in northern Mozambique is linked to the gas discoveries and the operations of fossil transnational corporations and their financiers. ECA support for the projects that are run by these corporations has been essential: Given the large and well-known risks that the gas projects in the area entail, it is highly unlikely that companies would have taken these risks without the backing of public finance support.

The grounds on which the ECAs in countries like the Netherlands, France, Italy, the United Kingdom and the United States, have approved their support are incompatible with these countries' commitment to the Paris agreement and national and international agreements on responsible governance. The situation in Mozambique has escalated to the point where the Mozambique LNG project is at a standstill, while no solution to the ongoing conflict and human suffering is in sight. The governments, ECAs and companies involved must take responsibility for their role in the crisis. Below, we list urgent recommendations related to address the current situation in Mozambique as well as recommendations to prevent these kinds of malpractices in the future and effectively counteract further climate change.

1. Recommendations related to the LNG projects in Cabo Delgado, Mozambique

The LNG projects in Cabo Delgado, Mozambique, are incompatible with the 1.5°C global warming limit as set out in the Paris agreement and the projects have contributed to social tensions escalating into violent conflict and humanitarian disaster. It is therefore necessary to **end the industry's operations immediately, safely dismantle current infrastructure and ensure compensation and reparations to impacted communities and the environment, as well as support Mozambique's sustainable future by supporting the full development of its renewable energy potential.** All parties involved should take their responsibility in this process:

- **ECAs** from the Netherlands, France, United Kingdom, Italy, the United States, Korea, Japan, China and South Africa, and other investors, **should withdraw their financial support to the LNG projects in Mozambique** based on the grounds that the decision-making process was flawed and based on the wrong assumptions. In addition, the ECAs and other investors **should critically review their decision-making and due diligence processes** that led to the approval of support for the LNG projects in Mozambique and be transparent about this.
- **TotalEnergies should ensure an immediate, just phase-out of the Mozambique LNG project.**
- **Eni, ExxonMobil and CNPC should cancel the Rovuma LNG project,** not moving forward with the Final Investment Decision.

- **Eni and ExxonMobil should dismantle the Coral South FLNG plant,** ensuring reparations of current environmental impacts, based on the facts that it is incompatible with climate commitments, causes irreversible environmental damage and will not deliver economic development or prosperity for Mozambique.
- **TotalEnergies should ensure the full implementation of their resettlement commitments as laid out in the resettlement plan immediately** and generously compensate displaced people and repair broken commitments.
- **TotalEnergies, Eni, ExxonMobil as well as other companies and players, financiers and governmental actors must make reparations,** including ensuring financial compensation, for environmental destruction and the impacts they have had on communities, including displacement and loss of livelihoods, based on the demands of affected people.
- All companies, financiers and government actors should work together to **initiate sustainable development and just transition interventions and address the (effects of) violence, trauma, food insecurity, displacement,** by ensuring:
 - The **development and implementation of sustainable energy policies,** prioritizing energy needs of Mozambican citizens and renewable energy and energy efficiency;
 - The **withdrawal of military troops and private security companies** and addressing the serious human and women's rights violations and suppression by military forces, holding responsible parties accountable.

2. Policy recommendations to prevent and end harmful fossil fuel projects worldwide

On order to end (investments in) new, harmful fossil fuel projects, it is important that governments show ambition and urgency in the implementation of the Glasgow commitment to end direct and indirect public fossil finance and develop and implement binding national, regional and international legislation to regulate corporations.

a. Recommendations on implementing the Glasgow Statement on international public finance:

- **Define the term 'unabated'** to mean an end to all upstream and midstream fossil finance to avoid any misuse or continued support for fossil fuels.
- **Define 'limited and clearly defined exceptions'** to ensure that these do not allow for support for gas infrastructure, anywhere in the world, and include only very limited downstream fossil finance in cases where other options are unavailable (eg emergency settings).

- **Avoid an increase in direct support for fossil fuel projects before the 2022 deadline:** Review funding for all proposed fossil fuel projects to ensure they meet the Glasgow statement requirements before the end-2022 deadline to limit gas lock in.
- **Ensure the commitment extends to related fossil fuel infrastructure,** including transportation, ports, airports, etc.
- **Extend the Glasgow commitment to domestic support for fossil fuels** and advocate for other signatories to do the same.

b. Further recommendations for **Export Credit Agencies and the governments behind them:**

- **Ensure that ECAs act in line with the OECD Arrangement and the Common Approaches** (e.g. assess country risks according to the likelihood of whether they will service their external debts and corruption; prevent and mitigate adverse environmental and social impacts of projects; undertake appropriate environmental and social reviews and assessments; protect and respect human rights, ensuring a gender perspective, particularly in situations where the potential impacts from projects or existing operations pose risks to human rights, such as projects in resource-rich and conflict-prone areas and countries; and foster transparency, predictability and responsibility in decision-making) and **ensure that the OECD Arrangement and Common Approaches are soon reviewed to align them to the Paris Agreement and Glasgow Statement.**
- Ensure that ECAs rigorously improve and be transparent about their **Due Diligence practices** including ensuring **clear contractual clauses on when to pull out of a project.**

c. Recommendations for corporate accountability legislation:

- Develop and implement **strong and effective binding rules for corporations** at national, regional and international level, **including constructively engaging in the process towards a UN legally binding instrument** to regulate transnational corporations in human rights law.
- Ensure that **any legislation to regulate corporations includes the legal responsibility of parent and outsourcing companies over their whole value chains and business relationships, as well as provide justice and remedy for all affected people, as soon as possible and at all levels** (national, regional and international). **New laws must clarify that the company's primary obligation is to prevent or bring an end to harm,** and companies must not be able to escape liability

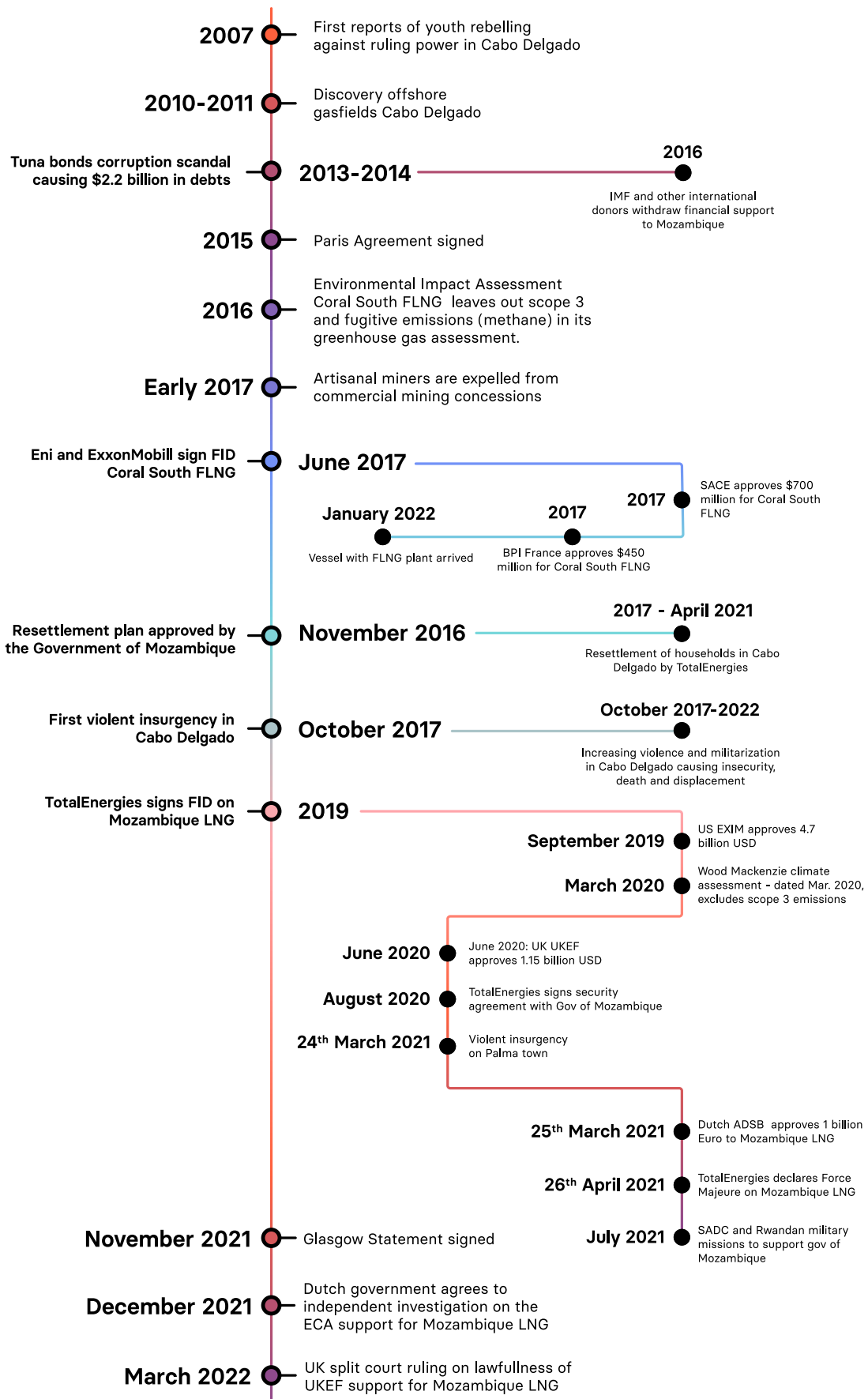
for harm by arguing that they have respected due diligence obligations.

- Ensure that any new legislation **includes administrative, civil and criminal liability when companies do not comply with their obligation** to prevent human rights violations and environmental harm, and **when they cause or contribute to violations and harm, and the removal of the obstacles** that affected people face when seeking justice.
- Ensure that **new corporate legislations include concrete obligations for all companies to identify the climate risks** in their value chains, **make a plan** to bring them in line with the Paris Agreement, including short, medium and long term emission reduction targets and **take measures to reduce their total emissions** (scope 1, 2 and 3) in their global value chains.
- Ensure that any new legislation includes **strong and effective enforcement mechanisms and adequate sanctions for non-compliance.**

V

TIMELINE

Timeline



Sources

- ¹ Global Initiative: Insurgency, illicit markets and corruption: The Cabo Delgado conflict and its regional implications (Julia Stanyard, Alastair Nelson, Greg Ardé, Julian Rademeyer; February 2022)
- ² Financial Times: IMF halts Mozambique aid after finding undisclosed debts of \$1bn <https://www.ft.com/content/6c755214-057f-11e6-9b51-0fb5e65703ce>
- ³ TotalEnergies Resettlement plans and programs <https://mzlng.totalenergies.co.mz/en/sustainability/resettlement>
- ⁴ International Crisis Group: Stemming the insurrection in Mozambique's Cabo Delgado <https://www.crisisgroup.org/africa/south-ern-africa/mozambique/303-stemming-insurrection-mozambiques-cabo-delgado>
- ⁵ Amnesty International. What I saw is death; war crimes in Mozambique's forgotten cape (2021) <https://www.amnesty.org/en/documents/afr41/3545/2021/en/>
- ⁶ The Defense Post: EU Agrees Military Training Mission for Mozambique <https://www.thedefensepost.com/2021/06/30/eu-mozambique-military-training/>
- ⁷ US Embassy: US Government trains Mozambican military forces on lifesaving tactics <https://mz.usembassy.gov/u-s-government-trains-mozambican-military-forces-on-lifesaving-tactics/>
- ⁸ SADC: SADC mission Mozambique <https://www.sadc.int/news-events/news/sadc-mission-mozambique-samim-brief/>
- ⁹ Amnesty International: Mozambique: Detained journalist in critical condition denied medical treatment (5 March 2019) <https://www.amnesty.org/en/latest/news/2019/03/mozambique-detained-journalist-in-critical-condition-denied-medical-treatment/>
- ¹⁰ Reporters Without Borders: Joint letter to Mozambique's president about journalist's disappearance (28 April 2020) <https://rsf.org/en/news/joint-letter-mozambiques-president-about-journalists-disappearance>
- ¹¹ UNFCCC Paris Agreement 2015 https://unfccc.int/sites/default/files/english_paris_agreement.pdf
- ¹² International Energy Agency: Net Zero by 2050: A Roadmap for the Global Energy Sector. <https://www.iea.org/reports/net-zero-by-2050>
- ¹³ Oil Change International: Burning the gas 'bridge fuel' myth; why gas is not clean, cheap, or necessary <https://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel/>
- ¹⁴ Banktrack: The impacts of the LNG industry in Cabo Delgado, Mozambique https://www.banktrack.org/download/the_impacts_of_the_lng_industry_in_cabo_delgado_mozambique/impacts_of_lng_in_mozambique_by_ja.pdf
- ¹⁵ Friends of the Earth EWNl: Briefing: UK Export Finance – climate litigation (June 2021) https://cdn.friendsoftheearth.uk/sites/default/files/downloads/UKEF_Briefing_updated_June_2021.pdf?_ga=2.233345821.2057823660.1647169331-1253559740.1647169330
- ¹⁶ Reliefweb: Climate Change Profile Mozambique (2018) <https://reliefweb.int/report/mozambique/climate-change-profile-mozambique>
- ¹⁷ Open Oil: Too Late to Count: a financial analysis of Mozambique's gas sector (Johnny West and Daniela Q. Lépiz, 2021)
- ¹⁸ Centro de Integridade Publica: Certificação de custos: Governo corre o risco de perder receitas por não fiscalizar 7,2 mil milhões de dólares em custos referentes aos projectos da Bacia do Rovuma (February 2020) <https://www.cipmoz.org/pt/2020/02/02/certificacao-de-custos-governo-corre-o-risco-de-perder-receitas-por-fiscalizar-72-mil-milhoes-de-dolares-em-custos-referentes-aos-projectos-da-bacia-do-rovuma/>
- ¹⁹ Open Oil: Too Late to Count: a financial analysis of Mozambique's gas sector (Johnny West and Daniela Q. Lépiz, 2021)
- ²⁰ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ²¹ Banktrack, Milieudéfensie, Oil Change International: Locked out of a just transition; fossil fuel financing in Africa (Isabelle Geuskens and Henrieke Butijn; March 2022) <https://priceofoil.org/content/uploads/2022/03/Fossil-Fuel-Financing-in-Africa-March-2022.pdf>
- ²² TotalEnergies: Total closes the acquisition of Anadarko's shareholding in Mozambique LNG <https://totalenergies.com/media/news/press-releases/total-closes-acquisition-anadarkos-shareholding-mozambique-lng>
- ²³ Dutch Ministry of Foreign Affairs: Final Energy Report Mozambique (Kees Mokveld and Steven von Eije; 2018) <https://www.rvo.nl/sites/default/files/2019/01/Final-Energy-report-Mozambique.pdf>
- ²⁴ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ²⁵ Dutch NGOs: Both ENDS, Milieudéfensie (FoE Netherlands), FoE Europe and SOMO; French NGO: Les Amis de la Terre France (FoE France); Italian NGO: ReCommon; UK NGO: FoE EWNl (Friends of the Earth England, Wales and Northern Ireland); US NGO: Friends of the Earth US; Global Strategic Communication Council (GSCC network)
- ²⁶ Consultec – Consultores Associados, Lda., Environmental Impact Assessment Process for the Floating Liquefied Natural Gas Project: Environmental Impact Study Final Report (March 2015) https://www.banktrack.org/download/environmental_impact_assessment_process_for_the_floating_liquefied_natural_gas_project/eis_volume_ii_en_final_report.pdf
- ²⁷ Glasgow Statement on the international public support for the clean energy transition. <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>
- ²⁸ World Population Review: Poorest countries in the world <https://worldpopulationreview.com/country-rankings/poorest-countries-in-the-world>

- ²⁹ Reuters: Oil major Total closes purchase of Anadarko's Mozambique LNG asset (30 September 2019) <https://www.reuters.com/article/us-total-mozambique-idUSKBN1WF0HM>
- ³⁰ S&P Global Commodity Insight: Anadarko reaches FID on 12.88 mil mt/year Area 1 Mozambique LNG project (19 June 2019) <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/natural-gas/061919-anadarko-reaches-fid-on-1288-mil-mt-year-area-1-mozambique-lng-project>
- ³¹ The Final Investment Decision is the moment when the Board of Directors of the company decides to move forward with the project and agrees to major financial commitments.
- ³² Ibid
- ³³ Ibid
- ³⁴ Offshore Energy: Eni's Coral Sul FLNG arrives in Mozambique (4 January 2022) <https://www.offshore-energy.biz/enis-coral-sul-flng-arrives-in-mozambique/>
- ³⁵ Bloomberg: Eni finalizes \$7 billion Mozambique gas project investment (1 June 2017) <https://www.bloomberg.com/news/articles/2017-06-01/eni-finalizes-7-billion-investment-in-mozambique-gas-project>
- ³⁶ TotalEnergies: Total announces the signing Mozambique LNG project financing (17 July 2020) <https://totalenergies.com/media/news/news/total-announces-signing-mozambique-lng-project-financing>
- ³⁷ Reuters: Italy's Eni signs LNG deal in Mozambique, raising hopes of gas boom (1 June 2017) <https://www.reuters.com/article/us-eni-mozambique-idUSKBN18S6AW>
- ³⁸ Dutch NGOs: Both ENDS, Milieudefensie (FoE Netherlands), FoE Europe and SOMO; French NGO: Les Amis de la Terre France (FoE France); Italian NGO: ReCommon; UK NGO: FoE EWNl (Friends of the Earth England, Wales and Northern Ireland); US NGO: Friends of the Earth US; Global Strategic Communication Council (GSCC network)
- ³⁹ The Guardian: UK could face lawsuit over \$1bn aid to Mozambique gas project (20 July 2020) <https://www.theguardian.com/business/2020/jul/20/uk-could-face-lawsuit-over-1bn-aid-to-mozambique-gas-project>
- ⁴⁰ Royal Van Oord is a Dutch maritime contracting company that specializes in dredging, land reclamation and constructing man made islands.
- ⁴¹ Saipem is an advanced technological and engineering platform for the design, construction and operation of complex, safe and sustainable infrastructures and plants.
- ⁴² The loan for the onshore Afungi LNG park was approved in September 2019 and amended in May 2020 to include offshore activities as well and the amount reduced from \$5 billion to \$4.7 billion. <https://www.exim.gov/news/exim-board-unanimously-approves-amended-financing-exports-mozambique-lng-project-and-support>
- ⁴³ Force majeure is a clause that is included in contracts to remove liability for natural and unavoidable catastrophes. It also encompasses human actions, such as armed conflict. In the case of Mozambique, TotalEnergies declaring Force Majeure means that the company halted the Mozambique LNG project and withdrew the majority of staff until the security situation improves.
- ⁴⁴ Friends of the Earth: Court Appeal to hear Mozambique gas plant legal challenge (16 March 2022) <https://friendsoftheearth.uk/climate/court-appeal-hear-mozambique-gas-plant-legal-challenge>
- ⁴⁵ Rainforest Action Network: Case study Mozambique LNG projects (23 March 2021) <https://www.ran.org/the-understory/case-study-mozambique-lng-projects/>
- ⁴⁶ Banktrack, Milieudefensie, Oil Change International: Locked out of a just transition; fossil fuel financing in Africa (Isabelle Geuskens and Henrieke Butijn; March 2022) <https://priceofoil.org/content/uploads/2022/03/Fossil-Fuel-Financing-in-Africa-March-2022.pdf>
- ⁴⁷ Upstream Energy Explored: 'We will not build a plant surrounded by soldiers': Pouyanne's demands for reviving Mozambique LNG project (10 February 2022) <https://www.upstreamonline.com/lng/we-will-not-build-a-plant-surrounded-by-soldiers-pouyannes-demands-for-reviving-mozambique-lng-project/2-1-1166725>
- ⁴⁸ Reuters: Exclusive: Exxon and Total in talks over Mozambique LNG resource-sharing deal – sources (26 November 2020) <https://www.reuters.com/article/exxonmobil-mozambique-lng-idINKBN28606E>
- ⁴⁹ Eni: Coral South: The gas field off the coast of Mozambique <https://www.eni.com/en-IT/operations/mozambique-coral-south.html>
- ⁵⁰ National Geographic: Natural gas is a much 'dirtier' energy source than we thought (19 February 2020) <https://www.nationalgeographic.com/science/article/super-potent-methane-in-atmosphere-oil-gas-drilling-ice-cores>
- ⁵¹ International Energy Agency: Net Zero by 2050: A Roadmap for the Global Energy Sector. <https://www.iea.org/reports/net-zero-by-2050>
- ⁵² Oil Change International: Burning the gas 'bridge fuel' myth; why gas is not clean, cheap, or necessary <https://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel/>
- ⁵³ UNFCCC: The evidence is clear: The time for action is now. We can halve emissions by 2030 (4 April 2022) <https://unfccc.int/news/the-evidence-is-clear-the-time-for-action-is-now-we-can-halve-emissions-by-2030>
- ⁵⁴ Banktrack: The impacts of the LNG industry in Cabo Delgado, Mozambique https://www.banktrack.org/download/the_impacts_of_the_lng_industry_in_cabo_delgado_mozambique/impacts_of_lng_in_mozambique_by_ja.pdf
- ⁵⁵ Friends of the Earth: Briefing: UK Export Finance – climate litigation (June 2021) https://cdn.friendsoftheearth.uk/sites/default/files/downloads/UKEF_Briefing_updated_June_2021.pdf?_ga=2.233345821.2057823660.1647169331-1253559740.1647169330
- ⁵⁶ Les Amis de la Terre: De l'eldorado gazier au chaos: quand la France pousse le Mozambique dans le piège du gaz (June 2020) <https://www.amisdelaterre.org/wp-content/uploads/2020/06/de-leldorado-gazier-au-chaos-les-amis-de-la-terre-france.pdf>
- ⁵⁷ Reliefweb: Mozambique, Africa | 2021-22 Floods and Cyclones – Revised Emergency Appeal n° MDRMZ016 (31 January 2022) <https://reliefweb.int/report/mozambique/mozambique-africa-2021-22-floods-and-cyclones-revised-emergency-appeal-n>

mdrmz016

⁵⁸ Reliefweb: Climate Change Profile Mozambique (2018)

<https://reliefweb.int/report/mozambique/climate-change-profile-mozambique>

⁵⁹ A vessel strike is a collision between any type of boat and a marine animal in the ocean.

⁶⁰ The Revelator: Blinded by the light pollution (Dipika Kadaba; 2018)

<https://therevelator.org/blinded-light-pollution/>

⁶¹ ERM, Mozambique LNG Environmental Impact Assessment, Chapter 11: Offshore and Near Shore Environmental Impact Assessment and Mitigation

http://www.mzlng.com/content/documents/MZLNG/EIA/Volume_II/English/Chapter_11-_LNG_Final_EIA_Sept_2014_Eng.pdf.

⁶² Consultec – Consultores Associados, Lda., Environmental Impact Assessment Process for the Floating Liquefied Natural Gas Project: Environmental Impact Study Final Report (2015)

https://www.banktrack.org/download/environmental_impact_assessment_process_for_the_floating_liquefied_natural_gas_project/eis_volume_ii_en_final_report.pdf

⁶³ African Development Bank Group: Mozambique LNG Environmental and Social Impact Assessment (ESIA) Summary (April 2019)

https://www.afdb.org/fileadmin/uploads/afdb/Documents/Environmental-and-Social-Assessments/Mozambique_LNG_ESIA_Summary.pdf

⁶⁴ Wikipedia: List of pipeline accidents

https://en.wikipedia.org/wiki/List_of_pipeline_accidents

⁶⁵ TotalEnergies: Resettlement plans and programs

<https://mzlng.totalenergies.co.mz/en/sustainability/resettlement>

⁶⁶ TotalEnergies: Réponses aux questions écrites (AGM June 2021) https://totalenergies.com/sites/g/files/nytnzq121/files/documents/2021-06/AG2021_reponses-aux-questions-ecrites.pdf

⁶⁷ Banktrack, Milieudefensie, Oil Change International: Locked out of a just transition; fossil fuel financing in Africa (Isabelle Geuskens and Henrieke Butijn; March 2022) <https://priceofoil.org/content/uploads/2022/03/Fossil-Fuel-Financing-in-Africa-March-2022.pdf>

⁶⁸ International Crisis Group: Stemming the insurrection in Mozambique's Cabo Delgado <https://www.crisisgroup.org/africa/southern-africa/mozambique/303-stemming-insurrection-mozambiques-cabo-delgado>

⁶⁹ Banktrack: The impacts of the LNG industry in Cabo Delgado, Mozambique https://www.banktrack.org/download/the_impacts_of_the_lng_industry_in_cabo_delgado_mozambique/impacts_of_lng_in_mozambique_by_ja.pdf

⁷⁰ Cassava is the principal starch in Mozambique, making up for 30% of the calorie intake of Mozambicans.

⁷¹ iD4D Sustainable Development News: Mozambique: from natural gas fields to Islamist insurgency (Thierry Vircoulon, 18 May 2021)

<https://ideas4development.org/en/mozambique-gas-fields-islamist-insurgency/>

⁷² Global Initiative: Insurgency, illicit markets and corruption: The Cabo Delgado conflict and its regional implications (Julia Stanyard, Alastair Nelson, Greg Ardé, Julian Rademeyer; February 2022)

<https://globalinitiative.net/wp-content/uploads/2022/02/GITOC-ESAObs-Insurgency-illicit-markets-and-corruption-The-Cabo-Delgado-conflict-and-its-regional-implications.pdf>

⁷³ Madrasas are religious schools for the study of Islam

⁷⁴ The group in Mozambique is unrelated to the Al-Shabaab jihadist group in Somalia.

⁷⁵ International Crisis Group: Stemming the insurrection in Mozambique's Cabo Delgado <https://www.crisisgroup.org/africa/southern-africa/mozambique/303-stemming-insurrection-mozambiques-cabo-delgado>

⁷⁶ Ibid

⁷⁷ Reuters: Twelve people, possibly foreigners, beheaded in Mozambique attack – police (8 April 2021)

<https://www.reuters.com/article/uk-mozambique-insurgency-idUSKBN2BV1S1>

⁷⁸ Combating Terrorism Center: The March 2021 Palma attack and the evolving Jihadi terror threat to Mozambique (April/May 2021)

<https://ctc.westpoint.edu/the-march-2021-palma-attack-and-the-evolving-jihadi-terror-threat-to-mozambique/>

⁷⁹ Mail & Guardian: Frelimo gambled everything on gas and lost (Joseph Hanlon; 8 April 2021)

<https://mg.co.za/africa/2021-04-08-frelimo-gambled-everything-on-gas-and-lost/>

⁸⁰ Mail & Guardian: No emergency plan for the 'Battle of Palma' (Erika Gibson; 31 March 2021)

<https://mg.co.za/africa/2021-03-31-no-emergency-plan-for-the-battle-of-palma/>

⁸¹ Reuters: Total declares force majeure on Mozambique LNG after insurgent attacks (26 April 2021) <https://www.reuters.com/world/africa/frances-total-declares-force-majeure-mozambique-lng-project-2021-04-26/>

⁸² Upstream Energy Explored: 'We will not build a plant surrounded by soldiers': Pouyanne's demands for reviving Mozambique LNG project (10 February 2022)

<https://www.upstreamonline.com/lng/we-will-not-build-a-plant-surrounded-by-soldiers-pouyannes-demands-for-reviving-mozambique-lng-project/2-1-1166725>

⁸³ Amnesty International. What I saw is death; war crimes in Mozambique's forgotten cape (2021)

<https://www.amnesty.org/en/documents/afr41/3545/2021/en/>

⁸⁴ Ibid.

⁸⁵ Daily Maverick: Wagner private military force licks wounds in northern Mozambique (29 November 2019) <https://www.dailymaverick.co.za/article/2019-11-29-wagner-private-military-force-licks-wounds-in-northern-mozambique/>

⁸⁶ Amnesty International. What I saw is death; war crimes in Mozambique's forgotten cape (2021)

<https://www.amnesty.org/en/documents/afr41/3545/2021/en/>

- ⁸⁷ The Investigative Journalism Center Mozambique: Humanizing security in Cabo Delgado: A CSO report on the drivers of conflict and its impact on civilians (Luis Nhachote; August 2021) <https://gga.org/humanizing-security-in-cabo-delgado/>
- ⁸⁸ Ibid.
- ⁸⁹ Mozambique Mining Cadastre Map Portal <https://portals.landfolio.com/mozambique/en/>
- ⁹⁰ The Defense Post: EU Agrees Military Training Mission for Mozambique <https://www.thedefensepost.com/2021/06/30/eu-mozambique-military-training/>
- ⁹¹ US Embassy: US Government trains Mozambican military forces on lifesaving tactics <https://mz.usembassy.gov/u-s-government-trains-mozambican-military-forces-on-lifesaving-tactics/>
- ⁹² The Investigative Journalism Center Mozambique: Humanizing security in Cabo Delgado: A CSO report on the drivers of conflict and its impact on civilians (Luis Nhachote; August 2021) <https://gga.org/humanizing-security-in-cabo-delgado/>
- ⁹³ Cabo Ligado Weekly 9-15 August 2021 <https://www.caboligado.com/reports/cabo-ligado-weekly-9-15-august-2021>
- ⁹⁴ SADC: SADC mission in Mozambique (SAMIM) in brief (10 November 2021) <https://www.sadc.int/news-events/news/sadc-mission-mozambique-samim-brief/>
- ⁹⁵ Reuters: Rwanda deploys troops to Mozambique to help fight insurgency (9 July 2021) <https://www.reuters.com/world/africa/rwanda-says-will-start-deploying-troops-mozambique-2021-07-09/>
- ⁹⁶ International Crisis Group: Winning peace in Mozambique's embattled North (10 February 2022) (<https://www.crisisgroup.org/africa/southern-africa/mozambique/b178-winning-peace-mozambiques-embattled-north>)
- ⁹⁷ The Investigative Journalism Center Mozambique: Humanizing security in Cabo Delgado: A CSO report on the drivers of conflict and its impact on civilians (Luis Nhachote; August 2021) <https://gga.org/humanizing-security-in-cabo-delgado/>
- ⁹⁸ UN News: Cabo Delgado displacement could reach 1 million, UN officials warn (22 March 2022) <https://news.un.org/en/story/2021/03/1087952>
- ⁹⁹ Reliefweb: 2021 Mozambique Humanitarian Response Plan (Abridged Version) (18 December 2020) <https://reliefweb.int/report/mozambique/2021-mozambique-humanitarian-response-plan-abridged-version>
- ¹⁰⁰ Reliefweb: UNHCR appeals for Mozambicans fleeing violence to be given access to asylum in Tanzania (18 May 2021) <https://reliefweb.int/report/mozambique/unhcr-appeals-mozambicans-fleeing-violence-be-given-access-asylum-tanzania>
- ¹⁰¹ FairPlanet: Mozambican insurgency brews problems for refugees in the region (13 September 2021) <https://www.fairplanet.org/story/mozambican-insurgency-brews-problems-for-refugees-in-the-region/>
- ¹⁰² The Investigative Journalism Center Mozambique: Humanizing security in Cabo Delgado: A CSO report on the drivers of conflict and its impact on civilians (Luis Nhachote; August 2021) <https://gga.org/humanizing-security-in-cabo-delgado/>
- ¹⁰³ Reporters Without Borders: Mozambique news blackout in the North <https://rsf.org/en/mozambique>
- ¹⁰⁴ Amnesty International: Mozambique: Detained journalist in critical condition denied medical treatment (5 March 2019) <https://www.amnesty.org/en/latest/news/2019/03/mozambique-detained-journalist-in-critical-condition-denied-medical-treatment/>
- ¹⁰⁵ Reporters Without Borders: Joint letter to Mozambique's president about journalist's disappearance (28 April 2020) <https://rsf.org/en/news/joint-letter-mozambiques-president-about-journalists-disappearance>
- ¹⁰⁶ Civicus: Mozambique's Adoption of Universal Periodic Review on Human Rights (1 October 2021) <https://www.civicus.org/index.php/media-resources/news/united-nations/geneva/5322-mozambique-s-adoption-of-universal-periodic-review-on-human-rights>
- ¹⁰⁷ Club of Mozambique: Cabo Delgado: 'Structural and systemic' poverty behind four years of insurgency – analysts (5 October 2021) <https://clubofmozambique.com/news/cabo-delgado-structural-and-systemic-poverty-behind-four-years-of-insurgency-analysts-202286/>
- ¹⁰⁸ Amnesty International. What I saw is death; war crimes in Mozambique's forgotten cape (2021) <https://www.amnesty.org/en/documents/afr41/3545/2021/en/>
- ¹⁰⁹ iD4D Sustainable Development News: Mozambique: from natural gas fields to Islamist insurgency (Thierry Vircoulon, 18 May 2021) <https://ideas4development.org/en/mozambique-gas-fields-islamist-insurgency/>
- ¹¹⁰ TotalEnergies: Total Closes the Acquisition of Anadarko's Shareholding in Mozambique LNG (30 September 2019) <https://totalenergies.com/media/news/press-releases/total-closes-acquisition-anadarkos-shareholding-mozambique-lng>
- ¹¹¹ IMF: Republic of Mozambique: Selected issues (8 January 2016) <https://www.elibrary.imf.org/view/journals/002/2016/010/article-A001-en.xml>
- ¹¹² Open Oil: Too Late to Count: a financial analysis of Mozambique's gas sector (Johnny West and Daniela Q. Lépez, 2021)
- ¹¹³ Centro de Integridade Publico <https://www.cipmoz.org/en/>
- ¹¹⁴ Centro de Integridade Publico: Certificação de custos: Governo corre o risco de perder receitas por não fiscalizar 7,2 mil milhões de dólares em custos referentes aos projectos da Bacia do Rovuma (February 2020) <https://www.cipmoz.org/pt/2020/02/02/certificacao-de-custos-governo-corre-o-risco-de-perder-receitas-por-fiscalizar-72-mil-milhoes-de-dolares-em-custos-referentes-aos-projectos-da-bacia-do-rovuma/>

- ¹¹⁵ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ¹¹⁶ Financial Times: IMF halts Mozambique aid after finding undisclosed debts of \$1bn <https://www.ft.com/content/6c755214-057f-11e6-9b51-0fb5e65703ce>
- ¹¹⁷ Daily Maverick: Ernst & Young and the scam that cost Mozambique \$2.2bn (5 July 2021) <https://www.dailymaverick.co.za/article/2021-07-05-ernst-young-and-the-scam-that-cost-mozambique-2-2bn/>
- ¹¹⁸ Bloomberg: Mozambique Tuna Bonds fund anti-pirate fleet in surprise (13 November 2013) <https://www.bloomberg.com/news/articles/2013-11-13/mozambique-tuna-bonds-fund-anti-pirate-fleet-in-surprise>
- ¹¹⁹ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ¹²⁰ Bloomberg: IMF Expects Mozambique to Default on Foreign Debt Until 2023 (28 February 2018) <https://www.bloomberg.com/news/articles/2018-02-28/imf-expects-mozambique-to-default-on-external-debt-until-2023>
- ¹²¹ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ¹²² Banktrack, Milieudefensie, Oil Change International: Locked out of a just transition; fossil fuel financing in Africa (Isabelle Geuskens and Henrieke Butijn; March 2022) <https://priceofoil.org/content/uploads/2022/03/Fossil-Fuel-Financing-in-Africa-March-2022.pdf>
- ¹²³ NEXI - \$2 billion: <https://www.nexi.go.jp/en/topics/newsrelease/2020063002.html>
 JBIC - \$3 billion: <https://www.jbic.go.jp/en/information/press/press-2020/0716-013514.html>
 China EXIM - \$500 million: <https://www.debtwire.com/info/mozambique%E2%80%99s-coral-south-operators-sign-usd-8bn-lng-project-financing-all-lenders-revealed>; <https://china.aiddata.org/projects/57395/>
 K-SURE: <https://www.debtwire.com/info/mozambique%E2%80%99s-coral-south-operators-sign-usd-8bn-lng-project-financing-all-lenders-revealed>
 KEXIM - \$500 million: <http://www.businesskorea.co.kr/news/articleView.html?idxno=56631>
 ECIC - \$800 million: <https://www.globaltradealert.org/state-act/46452/south-africa-ecic-provides-financing-for-the-mozambique-lng-project>
- ¹²⁴ The Guardian: World has no capacity to absorb new fossil fuel plants, warns IEA (13 November 2018) <https://www.theguardian.com/business/2018/nov/13/world-has-no-capacity-to-absorb-new-fossil-fuel-plants-warns-iea>
- ¹²⁵ UNFCCC Paris Agreement 2015 https://unfccc.int/sites/default/files/english_paris_agreement.pdf
- ¹²⁶ Legal opinion: International obligations governing the activities of Export Credit Agencies in connection with the continued financing of fossil fuel related projects and activities (Kate Cook and Jorge E. Viñuales; 24 March 2021) http://priceofoil.org/content/uploads/2021/05/Legal-opinion-K.-Cook_-J.-Vinuales-FINAL.pdf
- ¹²⁷ Oil Change International: Past last call: G20 public finance institutions are still bankrolling fossil fuels (28 October 2021) <https://priceofoil.org/2021/10/28/past-last-call-g20-public-finance-institutions-are-still-bankrolling-fossil-fuels/>
- ¹²⁸ NGOs in The Netherlands received the presentation, dated March 2020, that Wood Mackenzie made for potential lenders to Mozambique LNG after filing a Fol request.
- ¹²⁹ Greenhouse Gas Protocol: Corporate Value Chain (Scope 3) Standard <https://ghgprotocol.org/standards/scope-3-standard>
- ¹³⁰ Consultec – Consultores Asociados, Lda., Environmental Impact Assessment Process for the Floating Liquefied Natural Gas Project: Environmental Impact Study Final Report (2015) https://www.banktrack.org/download/environmental_impact_assessment_process_for_the_floating_liquefied_natural_gas_project/eis_volume_ii_en_final_report.pdf
- ¹³¹ Oil Change International: Burning the gas 'bridge fuel' myth; why gas is not clean, cheap, or necessary <https://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel/>
- ¹³² Oil Change International: Burning the gas 'bridge fuel' myth; why gas is not clean, cheap, or necessary <https://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel/>
- ¹³³ Global Green Growth Institute: Country Brief: Mozambique: Off-grid solar power in Mozambique: opportunities for universal energy access and barriers to private sector participation (Pranab Baruah, Brendan Coleman; 2019) <https://gggi.org/site/assets/uploads/2019/02/Mozambique-Country-Brief.pdf>
- ¹³⁴ The Potential of Renewable Energy in Mozambique: An Overview (Fernando Chichango; April 2021) https://www.researchgate.net/publication/351075767_The_Potential_of_Renewable_Energy_in_Mozambique_An_Overview
- ¹³⁵ E3G: The failure of 'gas for development' Mozambique case study (Jonathan Gaventa; December 2021) <https://www.e3g.org/publications/the-failure-of-gas-for-development-mozambique-case-study/>
- ¹³⁶ Dutch Ministry of Foreign Affairs: Final Energy Report Mozambique (Kees Mokveld and Steven von Eije; 2018) <https://www.rvo.nl/sites/default/files/2019/01/Final-Energy-report-Mozambique.pdf>
- ¹³⁷ Bloomberg: US Export-Import Bank warned on Mozambique risks before \$4.7 billion loan (6 April 2021) <https://www.bloomberg.com/news/articles/2021-04-06/u-s-ex-im-warned-on-mozambique-risks-before-4-7-billion-loan>
- ¹³⁸ The 2018 statistics from the International Monetary Fund puts Mozambique at number 6 on the list of poorest countries.
- ¹³⁹ OECD: Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits <https://www.oecd.org/trade/topics/export-credits/documents/cre-crc-historical-internet-english.pdf>
- ¹⁴⁰ Bloomberg: IMF Expects Mozambique to Default on Foreign Debt Until 2023 (28 February 2018) <https://www.bloomberg.com/news/articles/2018-02-28/imf-expects-mozambique-to-default-on-external-debt-until-2023>
- ¹⁴¹ Open Oil: Too Late to Count: a financial analysis of Mozambique's gas sector (Johnny West and Daniela Q. Lépez; 2021)
- ¹⁴² All Africa: Mozambique: Inhambane Youths Demand Jobs From Sasol (29 July 2021) <https://allafrica.com/stories/202107300394>.

html

- ¹⁴³ The Times: PM cleans up UK's reputation on environment by defunding global oil projects (27 July 2020) <https://www.thetimes.co.uk/article/pm-cleans-up-reputation-by-defunding-foreign-oil-projects-vt68ldlk8>
- ¹⁴⁴ Politico: Landmark climate report details an atlas of human suffering (28 February 2022) <https://www.politico.eu/article/landmark-climate-report-details-an-atlas-of-human-suffering/>
- ¹⁴⁵ IPCC 6th Assessment Report: Press Release <https://www.ipcc.ch/report/ar6/wg3/resources/press/press-release>
- ¹⁴⁶ Oil Change International: Past last call: G20 public finance institutions are still bankrolling fossil fuels (28 October 2021) <https://priceofoil.org/content/uploads/2021/10/Past-Last-Call-G20-Public-Finance-Report.pdf>
- ¹⁴⁷ European Investment Bank: EU bank launches ambitious new climate and energy lending policy (14 November 2019) <https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy>
- ¹⁴⁸ UK government press release: PM announces that the UK will end support for fossil fuel sector overseas (12 December 2020) <https://www.gov.uk/government/news/pm-announces-the-uk-will-end-support-for-fossil-fuel-sector-overseas>
- ¹⁴⁹ Globeleq: Mozambique's Paris-aligned Temane Power Plant reaches Financial Close. (8 December 2021) <https://www.globeleq.com/blog/mozambiques-paris-aligned-temane-power-project-reaches-financial-close/>
- ¹⁵⁰ BBC: What is fracking and why is it controversial? <https://www.bbc.com/news/uk-14432401>
- ¹⁵¹ ADSB: Geen EKV voor kolen en onconventionele brandstoffen <https://atradiusdutchstatebusiness.nl/nl/nieuws/geen-ekv-voor-kolen-en-onconventionele-brandstoffen.html>
- ¹⁵² FoE US: Analysis: U.S. Restrictions on Public Finance for Overseas Energy Projects https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2021/12/2021.12.10_Analysis-USG-overseas-fossil-fuel-finance-restrictions.pdf
- ¹⁵³ 'Upstream' is about extracting oil and natural gas from the ground; 'midstream' is about safely moving them thousands of miles; and 'downstream' is converting these resources into the fuels and finished products. <https://energyhq.com/2017/04/upstream-midstream-downstream-whats-the-difference/>
- ¹⁵⁴ Export Finance for Future: Statement of Principle (14 April 2021) <https://www.tresor.economie.gouv.fr/Articles/48e53470-62e7-4048-a507-5292b4ba69f4/files/36bb69c3-e7d9-4b77-b34f-f6240ffa1290>
- ¹⁵⁵ Public statement by civil society organisations on the launch of the Export Finance for Future Export finance leadership coalition fails to lead https://www.bothends.org/uploaded_files/inlineitem/210414_Statement_on_Export_Finance_for_Future_FINAL.pdf
- ¹⁵⁶ UK COP26: Statement on international public support for the clean energy transition (4 November 2021) <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>
- ¹⁵⁷ Brief regering: Stand van zaken uitwerking COP26 verklaring (7 April 2022) https://www.tweedekamer.nl/kamerstukken/brieven_regering/detail?id=2022Z06867&did=2022D13901
- ¹⁵⁸ Government of the Netherlands: Netherlands continuing to push for greener export finance (24 November 2021) <https://www.government.nl/latest/news/2021/11/24/netherlands-continuing-to-push-for-greener-export-finance>
- ¹⁵⁹ Oil Change International: CSOs say E3F countries need to act with urgency and integrity to meet commitments to end export finance for fossil fuels (24 November 2021) <https://priceofoil.org/2021/11/24/csos-say-e3f-countries-need-to-act-with-urgency-and-integrity-to-meet-commitments-to-end-export-finance-for-fossil-fuels/>
- ¹⁶⁰ FoE US: Analysis: U.S. Restrictions on Public Finance for Overseas Energy Projects https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2021/12/2021.12.10_Analysis-USG-overseas-fossil-fuel-finance-restrictions.pdf
- ¹⁶¹ Council of the European Union: Council Conclusions on export credits – approval (1 March 2022) <https://data.consilium.europa.eu/doc/document/ST-6500-2022-ADD-1/en/pdf>
- ¹⁶² Global Witness: Hundreds of fossil fuel lobbyists flooding COP26 climate talks (8 November 2021) <https://www.globalwitness.org/en/press-releases/hundreds-fossil-fuel-lobbyists-flooding-cop26-climate-talks/>
- ¹⁶³ Banktrack, Milieudefensie, Oil Change International: Locked out of a just transition; fossil fuel financing in Africa (Isabelle Geuskens and Henrieke Butijn; March 2022) <https://priceofoil.org/content/uploads/2022/03/Fossil-Fuel-Financing-in-Africa-March-2022.pdf>
- ¹⁶⁴ The Guardian: Mozambique fell prey to the promise of fabulous wealth – now it can't pay nurses (27 January 2017) <https://www.theguardian.com/global-development/2017/jan/27/mozambique-fabulous-wealth-gas-reserves-pay-nurses-debt-crisis>
- ¹⁶⁵ US Securities and Exchange Commission: Disclosing the use of conflict minerals <https://www.sec.gov/opa/Article/2012-2012-163htm---related-materials.html>
- ¹⁶⁶ MVO Platform: The Netherlands takes a historic step by adopting child labour due diligence law (14 May 2019) <https://www.mvoplatform.nl/en/the-netherlands-takes-a-historic-step-by-adopting-child-labour-due-diligence-law/>
- ¹⁶⁷ UK government Modern Slavery Act 2015 <https://www.legislation.gov.uk/ukpga/2015/30/contents/enacted>
- ¹⁶⁸ French Vigilance Law (28 March 2017) <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000034290626>
- ¹⁶⁹ La Strada International: Law on mandatory human rights and environmental due diligence (7 December 2021) <https://www.lastradainternational.org/news/dutch-government-announces-mandatory-human-rights-and-environmental-due-diligence-legislation/>
- ¹⁷⁰ European Commission: Just and sustainable economy: Commission lays down rules for companies to respect human rights and

environment in global value chains (23 February 2022)
https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145

¹⁷¹ Friends of the Earth Europe: Due Diligence law leaves affected people in the lurch (23 February 2022) <https://friendsoftheearth.eu/press-release/due-diligence-law-leaves-affected-people-in-the-lurch/>

¹⁷² Human Rights Council 3rd Revised Draft of the Legally Binding Instrument to regulate, in international human rights law, the activities of transnational corporations and other business enterprises (17 August 2021) <https://www.ohchr.org/sites/default/files/Documents/HRBodies/HRCouncil/WGTransCorp/Session6/LBI3rdDRAFT.pdf>



Friends of the Earth Europe gratefully acknowledges financial assistance from SAGE.



Friends of the Earth Europe gratefully acknowledges financial assistance from the European Commission (LIFE Programme). The sole responsibility for the content of this document lies with Friends of the Earth Europe. It does not necessarily reflect the opinion of the funder mentioned above. The funder cannot be held responsible for any use that may be made of the information contained therein.