

GAS IN MOZAMBIQUE

A WINDFALL FOR THE INDUSTRY,
A CURSE FOR THE COUNTRY

FRANCE THRUSTS MOZAMBIQUE INTO THE FOSSIL FUEL TRAP

JUNE 2020





EXECUTIVE SUMMARY

Mozambique: a fossil fuel windfall amid scandal and corruption

Between 2010 and 2013, huge gas deposits were discovered in Mozambique. Around 5 trillion cubic meters were found, making this the 9th largest gas reserve in the world. Over the coming years, a projected minimum of 60 billion USD is set to be invested in the exploitation of these reserves, amounting to the largest investment ever made in Sub-Saharan Africa. A dizzying sum, representing more than half of the amount required to face the coronavirus challenge across the continent, according to an estimate by African finance ministers. This investment would be 50 times the money collected by the UN to fund reconstruction efforts in Mozambique after the ravages of tropical cyclones Kenneth and Idai in 2019.

The sandy beaches of Cabo Delgado province, in the far north of Mozambique, have become a pot of gold for the gas industry and any company with a potential stake in massive energy projects. However, this 'windfall' is already proving a curse for the population of Mozambique, especially for local communities caught up in an increasingly violent conflict.

Even before the gas projects were formalised, France played the lead role in a corruption scandal related to oil and gas exploitation, which flung Mozambique into deep economic and financial crisis in 2016. In 2013, the Mozambican government signed a dubious contract with Constructions Mécaniques de Normandie (CMN), a French company belonging to French-Lebanese billionaire arms dealer Iskandar Safa,

for the official purpose of assembling a tuna fishing fleet. In fact, the Mozambique government illegally contracted debts to finance defence programme, to secure sovereignty over its exclusive economic zone and the fossil fuel deposits within it. The affair also involved bribery and several high level actors, including the former Mozambican Finance Minister Manuel Chang and Credit Suisse bankers, have since been prosecuted for corruption and fraud. This colossal debt now keeps Mozambique dependent on the transnational corporations and foreign powers exploiting these reserves, and the related gas revenues, even despite the highly unequal contracts granted to the gas industry.

French machinations

France was determined for its own transnational corporations to be the first to profit from this fossil fuel windfall, even at the cost of creating chaos in Mozambique. As early as 2013, the French government appears to have turned a blind eye to the dubious aspects of this naval contract, raising Mozambique's debt ratio and implicating itself in corrupt practices. France's aim was not only to save the financially-troubled Cherbourg shipyards (CMN), but also to export other kinds of arms and reinforce Mozambique's navy so that it was equipped to protect future gas infrastructures. At the time, major French energy companies were already vying for the immense oil and gas reserves. Some were even already conducting research in the Rovuma basin. This is a highly strategic region for France, which controls two thirds of the Mozambique Channel, an exclusive economic zone for France thanks to the position of



the Scattered Islands, subject of a sovereignty dispute between France and Madagascar. Since then, the dreams of these French companies have come true, with a great deal of help from public authorities. A myriad of French companies in the fossil fuel industry and adjacent sectors, such as logistics and private security, are now involved in the three gas projects underway off the coast of Mozambique. For several years now, the entire arsenal of French economic diplomacy has been working to defend French interests in Mozambique: diplomatic missions attended by heads of industry, public funding, business conventions, the use of the embassy's economic services. Diplomatic efforts have ramped up since the arrival of Total in September 2019, taking over from Anadarko as the main operator of the Mozambique LNG mega project. The French government even opted to support one of the gas projects financially, by granting an export guarantee of over half a billion euros to aid its completion. More public financial aid of this kind may soon be granted. The four largest private French banks are also deeply involved: Crédit Agricole and Société Générale are the major players, acting as financial advisors to the gas operators.

Cabo Delgado, a province erupting in violence

Since October 2017, insurgent attacks have been on the rise in northern Mozambique. The violence has resulted in the deaths of at least 1,100 people, predominantly among local communities. Over 100,000 people have been displaced. The insurgency, allegedly associated with ISIS and Al-Shabab, has fed on a morass of social, religious and political tensions, exacerbated by the rising inequality and human rights violations that have arrived with the gas projects. Confronted with this situation, the Mozambique government, abetted by foreign powers and transnational corporations, has opted for a

strategy of militarisation, prioritising protecting gas infrastructure, at the expense of local communities. The major gas operators even paid the Mozambican government to mobilise more armed forces troops to protect them. Nothing is being done to act on the root political and social causes of the conflict. On the contrary, the militarisation of the zone and the gas operations help feed the underlying tensions perpetuating the violence. Human rights violations are on the rise, as the communities find themselves caught between the insurgents, the army, private security contractors and the gas companies and their subcontractors. Communities are being robbed of their lands, their access to the sea and their livelihoods. Those who try to get word out about the situation, such as journalists and community activists, are being intimidated by government forces and some of them have disappeared. For example, journalist Ibrahimo Abu Mbaruco has been missing since 7 April 2020, with his last message being a text to a colleague saying that soldiers were coming towards him.

Given these circumstances, and with the arrival of Total, French economic diplomacy has been backed by increased military cooperation between the two countries. Instead of encouraging the Mozambique government to move towards conflict resolution strategies that attack the root causes of the violence, France is helping ignite tensions in Cabo Delgado province by supporting multinational gas companies and the militarisation of the zone. French-made weapons have even been found in the hands of paramilitary organisations fighting the insurrection, including that of Erik Prince, former head of the US mercenary company Blackwater, well known for its disastrous operations in Libya and Afghanistan. With the failure of the Mozambican army, private security companies from Russia, the United States, South Africa, and also France, have had an increasing presence in Cabo Delgado. French-licensed helicopter



gunships operated by South African mercenaries even injured six children during a counter-insurgent attack in late May 2020. In the meantime, French banks continue to claim to work only with operators that uphold human rights and that the agreements to protect the gas infrastructures help to protect local communities. These claims are totally hollow.

Mozambique is descending into the chaos of the 'resource curse' with help from the French government and French multinationals. The gas boom has come with increased conflict, violence, corruption and social inequality, a continuation of the evils that fossil fuels have provoked in so many other countries, especially in Africa. The major gas companies are in a position of power and can set the rules and grab the profits. They have circumvented the already weak laws on 'local content' designed to enable wealth creation in Mozambique, laws which are apparently of little concern to the Mozambique government.

Detonating a climate bomb: French government hypocrisy

Not only does the gas boom spell chaos for Mozambique, French machinations are forcing yet another African country into dependency on fossil fuels, which climate science tells us must not be exploited at all. The three gas projects under development could release as much as the equivalent of seven times France's annual greenhouse gas emissions, and 49 times Mozambique's current national annual emissions. This is a ticking climate bomb ready to explode and will contribute to pushing the world even further towards the irreversible climate crisis.

Yet these projects represent only part of the fossil fuel reserves discovered. In January of 2020, French President Emmanuel Macron told the Citizen's

Climate Convention that France's desire was to help Mozambique avoid becoming dependent on gas. In complete contradiction to his words, his country is pushing Mozambique into that same trap of gas dependence, in the name of the economic interests of French energy industrials and bankers. And as fate would have it, Mozambique is on the front line of climate change impacts, being ranked as one of the most vulnerable countries and having been hit by two devastating cyclones just over a year ago. Energy sovereignty for the peoples of Mozambique is critical, and can be achieved only through people-based, renewable energy solutions, not through fossil fuels which serve only corporate profits.

To end the hypocrisy, the French government must cease this diplomacy of chaos, practiced in the interest of the fossil fuel and arms industries. Now is the time for the French government to implement social distancing from fossil fuel industry lobbies. First, they must stop providing export aid to projects such as this one, which are not only ticking climate bombs but also lead to human rights violations. This is the second scandal uncovered in two years involving foreign gas projects guaranteed by the French government. After the Total facility in Yemen was found to be housing a secret prison, now it is the gas projects in Mozambique causing disastrous damage. It is time for the government and parliamentarians to take stock of the climate emergency and the human rights and environmental violations associated with the projects they support, and change the law this year to cease all subsidies to the oil and gas sector from 2021 onwards. French companies, including private banks and energy companies like Total, must immediately put an end to their involvement in gas projects in Mozambique, or risk being found liable for breaching the French duty of vigilance law.

TIMELINE



FRENCH ECONOMIC INTERESTS



WEAPONS SALES & MILITARY COOPERATION



ENVIRONNEMENTAL AND SOCIAL IMPACT



CORRUPTION SCANDAL

2010 TO 2013



Huge gas reserves were discovered in Mozambican territorial waters north of the country. The French companies Technip and Schlumberger were involved in the exploration.

2012



September

Total established itself in the Rovuma Basin, off the coast of Mozambique, by buying shares in oil blocks.

2013



September

A public fishing company in Mozambique bought 30 ships from Iskandar Safa's Cherbourg shipyards (CMN), in a contract much celebrated by the French government.



The Mozambican Deputy Minister for

Foreign Affairs announced that the six oil tankers in the 30-ship "fishing" fleet should be armed and that negotiations had begun with France. The same year, France exported 12.3 million euros in military equipment to Mozambique.

2014



June

France reopened its economic service at the French embassy in Mozambique. The French Minister for Foreign Trade visited Pemba, near the gas reserves, accompanied by a delegation of industry heads, including those in oil and gas.

2015



July

Former Defence Minister, Filipe Nyusi, freshly elected President of Mozambique, chose France for his first diplomatic trip outside of Africa. No press conference was held between the two heads of State, so as to avoid bringing up the question of the naval contract, at a time when suspicions of corruption over the deal were increasing in Mozambique. However, discrete lunches took place with Emmanuel Macron, then Minister for the Economy and with French business leaders.



October

French government representatives in the Mozambique Channel visited Maputo. Among them was a military commander who had come to assist the Mozambican navy, following the purchase of naval vessels from France.

2016



April

The "tuna bonds" scandal erupted. The Mozambique government had contracted hidden debts, in the form of State backed loans, with the collusion of Iskandar Safa's company. The banks that organised the transaction, including BNP Paribas, Credit Suisse and VTB Bank International, froze financing, throwing the country into economic and financial crisis.

2017



June

An auditor's report confirmed that funds were misappropriated and that the financial set up of the loan was chiefly designed to fund a defence programme in connection with the offshore gas and oil industry, where the Mozambican government had promised to make repayments with income from the gas industry.



The final investment decision was taken for Coral South FLNG, the first gas project planned off the coast of Cabo Delgado province. The project was partly financed by Crédit Agricole, also acting as the project's financial advisor along with other French banks BNP Paribas, Société Générale and Natixis.



October

The first attack by a group of insurgents, which the government said was known as Ahlu Sunna Wa-Jama, in Cabo Delgado. The first attacks came at the same time as the financial formalisation of the first gas projects, which exacerbated the social, religious, ethnic and political tensions, at the heart of the degenerating conflict.



4th quarter of 2017

The French government provided over half a billion euros in financial support to the oil company TechnipFMC for work as a contractor for the first gas project Coral South FLNG.



December

Erik Prince, founder of the notorious private security firm *Blackwater*, created a company in Mozambique and acquired military vessels from CMN, used to provide security for the gas facilities.

2018



November

Potential gas revenue was at the heart of the Mozambique government's debt restructuring negotiations with its creditors. Gas exports have become the only way to repay the public debt that skyrocketed following the scandal.

2019



January

An attack took place in Maganja, just 7km from the Afungi gas site. Mozambican soldiers did not intervene, arguing that their orders were to protect the gas facilities only. Milamba locals living near Maganja fled to Palma. During the time they were absent, a subcontractor for the major gas companies took the opportunity to grab their lands and begin construction works on an aerodrome.



February

Anadarko (then operator of Mozambique LNG, replaced a few months later by Total) and ENI/ExxonMobil signed an agreement with the Mozambican Defence Minister for paying the government to deploy more troops to protect their facilities. The money was paid into a special account, arousing suspicions.



March/April

Tropical cyclones Kenneth and Idai devastated parts of Mozambique. They were the most violent cyclones ever to hit Cabo Delgado province.



August

Combat helicopters still covered in French army camouflage were seen in Pemba, operated by South African paramilitary groups.



September

Total became the main operator of Mozambique LNG, buying out Anadarko's Africa assets. The transaction was completed

18 days prior to the presidential elections in Mozambique, enabling Nyusi to announce to the media that the country had received 880 million dollars in government revenue.

2020

January

Emmanuel Macron stated before the Citizen's Climate Convention that France must help Mozambique to avoid becoming dependent on fossil fuels: *"The problem we are going to face collectively, is explaining to poor countries where deposits are discovered, that we need to do without fossil fuels. [...] For example, Mozambique, which has discovered rich deposits in its waters. The country is now exploiting these deposits, sometimes with French operators. [...] Compensations must be found in the international economy to help them withdraw and make them less dependent."*



February

French Minister for Foreign Affairs, Jean-Yves Le Drian, carried out a diplomatic mission to Mozambique to defend French fossil fuel industry interests, both through finance and security. With the civilian death-toll rising, Total and ExxonMobil asked the Mozambique government to deploy 300 extra soldiers around their facilities.



March

French private security company Amarante Internationale opened a branch in Maputo and responded to the call for tenders launched by Total to secure their gas facilities.



April

According to the NGO ACLED, the insurrection has killed 1,100 people in Cabo Delgado since October 2017. Over 100,000 people have been displaced. Those who try to raise awareness of the situation are intimidated or kidnapped by government forces. Journalist

Ibrahimo Abu Mbaruco has been missing since 7 April, after soldiers surrounded his home.



French-licensed combat helicopters start being used by South African mercenaries from the private military company Dyck Advisory Group (DAG) to fight the insurrection.



With the drop in petrol prices, the final investment decision for the Rovuma LNG project was pushed back. Crédit Agricole remains the financial advisor for the project development.



May

Total's gas site became the epicentre for the spread of Covid-19 in Mozambique.



During the Battle of Macomia, six children were wounded by DAG helicopter gunships. These are the first civilian casualties directly related to the involvement of private military companies in Cabo Delgado, and probably not the last.



June

The signing ceremony for the closing of the 24 billion dollar financing for Total's Mozambique LNG mega project is expected to take place. The French banks BNP Paribas, Crédit Agricole, Natixis and Société Générale, also a financial advisor, will provide loans.



October

Business France (a government agency for economic diplomacy) is organising a networking event, called "French Gas Days", in Maputo to help French companies secure shares in markets directly linked to the gas boom.

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Report released in June 2020 by Les Amis de la Terre France, Justiça Ambiental (JA! / Friends of the Earth Mozambique) and Friends of the Earth International.

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LAYOUT Zelda Mauger **PHOTO** Christophe Sales



Friends of the Earth International is the world's largest grassroots environmental network with 73 member groups and over two million members and supporters around the world. Our vision is of a peaceful and sustainable world based on societies living in harmony with nature. We envision a society of interdependent people living in dignity, wholeness and fulfilment in which equity and human and peoples' rights are realised. This will be a society built upon peoples' sovereignty and participation. It will be founded on social, economic, gender and environmental justice and be free from all forms of domination and exploitation, such as neoliberalism, corporate globalisation, neo-colonialism and militarism. We believe that our children's future will be better because of what we do.

foei.org



The federation of Friends of the Earth France is a non-profit environmental and human rights network, independent from any religious or political influence. Created in 1970, they helped build the French ecological movement and helped found the world's largest grassroots environmental network, Friends of the Earth International. Friends of the Earth France forms a local network gathering 30 autonomous local and associated groups that act according to their own priorities and support the national and international campaigns with a shared vision for social and environmental justice. Friends of the Earth France promotes solutions at the local, national and international level that will help to create environmentally sustainable and socially just societies.

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Justiça Ambiental (JA !) / Friends of the Earth Mozambique is a leading Mozambican non-profit organization working to reduce the environmental and social impacts of Mozambique's unsustainable development, and trying to create new sustainable systems. We aim to build awareness and solidarity in vulnerable grassroots communities and support communities and civil society by providing strategic and technical advice, research, information, capacity-building, and movement-building. We seek to build the community voice by facilitating links between communities facing similar environmental situations, supporting community campaigns including understanding their human rights, land rights and the Constitution, providing access to government and decision-makers, access to media and by internationalizing local community struggles. We are committed to a better, safer and healthier environment for Mozambique, for the world and for current and future generations.

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