



**global witness**

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To:

Liz Truss, Secretary of State for International Trade

Cc: Louis Taylor, Chief Executive, UK Export Finance:

**19<sup>th</sup> September 2019**

**Subject:** Social and environmental issues - Mozambique LNG Project

Dear Secretary of State,

On 20<sup>th</sup> August 2019, UK Export Finance (UKEF) published its intention to consider support for the Category A Mozambique LNG project.<sup>1</sup> We want to share our concerns on the social, environmental and political issues surrounding the LNG project in the province, Cabo Delgado.

### **Violence in the region**

The Mozambique LNG project is already mired in controversy. The gas development is taking place in the Cabo Delgado region of Mozambique, where fighting is taking place between an Islamist insurgency and state security forces. Friends of the Earth Netherlands and Both ENDS, partners of Global Witness, has been on the ground and have documented that the proposed gas project is increasing tensions and violence in the area, due to increasing attacks on gas project-related infrastructure. This has contributed to extra suffering on the part of civilians. Protesters demanding a suspension of all work connected to the gas project were met with intimidation by the Mozambique military, and journalists covering the wider situation around the insurgency in the region have been arrested on spurious grounds.

### **Concerns on project revenues**

Mozambique, one of the ten poorest countries in the world and a 'fragile and conflict affected situation country' according to the World Bank<sup>2</sup>, is slowly recovering from the 2016 debt crisis. The discovery of USD \$2 billion of secret loans resulted in the suspension of all general budget support by donors and brought the country into a deep financial and economic crisis. It has recently begun to bring the alleged perpetrators to justice. However, the project runs the risk of its revenues being mortgaged due to the hidden debt crisis as creditors would get a percentage

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<sup>1</sup> UK Export Finance, August 2019, 'Category A Project under consideration – Mozambique LNG project,' <https://www.gov.uk/government/publications/category-a-project-under-consideration-mozambique-lng-project>

<sup>2</sup> The World Bank, July 2018, 'Harmonized list of fragile situations,' <http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations>

of revenue from the gas project.<sup>34</sup> In addition, the chief prosecutor for the United States investigation into Mozambique's hidden debts was hired as a legal consultant for ExxonMobil's involvement in the gas development.<sup>5</sup> According to a research team from the Norwegian embassy, Mozambique's current crisis is so closely related to the gas finds that it speaks of a "presource curse". Even before even one drop of gas has been exported, the curse is already there.<sup>6</sup>

### **Concerns from the communities in the project area**

The project hugely augments the pressure on land in the Palma district. The project itself takes up 7000 hectares of land, but related infrastructure and projects take further land from communities. More than 3000 people, will be displaced by the gas project in Afungi.

Although the communities directly affected by the project were promised compensation, the resettlement process has already raised many concerns in the communities, including attempts by the project partners and government to impede the involvement of civil society. Civil society have had no access to all the social, environmental and health information that the project has produced, further widening the power imbalance between the communities and the project partners.

There are issues around free, prior and informed consent for the communities. On March 14th, 2019, the community of Milamba, a community that will be entirely resettled to Senga, sent a letter to project partner Anadarko to demand clarity on many of their concerns before they would agree to be resettled. Two months later, Anadarko responded by confirming to have received the letter, and without responding to the concerns raised, merely announced their continuation of activities.

Affected communities are currently not economically benefiting from the project and this is not likely to change. Community members are unlikely to have the qualifications required for the jobs created by the project. The resettlement process has only resulted in more harm than progress.

### **The project is not consistent with a Paris Agreement pathway**

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<sup>3</sup> Club of Mozambique, May 2019, 'Mozambique nears debt-restructuring deal with Russia's VTB, IMF says,' <https://clubofmozambique.com/news/mozambique-nears-debt-restructuring-deal-with-russias-vtb-imf-says/>

<sup>4</sup> Centro De Integridade Publica, August 2018, 'Fears that gas revenues are being mortgaged,' <https://cipmoz.org/wp-content/uploads/2018/08/FEARS-THAT-GAS.pdf>

<sup>5</sup> Club of Mozambique, May 2019, 'US attorney in the case of Mozambique's debts moves to oil company,' <https://clubofmozambique.com/news/us-attorney-in-the-case-of-mozambiques-debts-moves-to-oil-company/>

<sup>6</sup> Follow The Money, October 2018, 'Mozambique suffers from gas before one drop is pumped,' <https://www.ftm.nl/artikelen/gasvloek-in-mozambique?share=1>

The UK Government is a signatory to the Paris accord and will host the 2020 UN climate talks in Glasgow. This project is not consistent with the aims of the Paris goals or the UK's professed status as a climate leader.

The ESHIA states that the construction and operation phases of the LNG Facility could result in the project accounting for nearly 10 percent of Mozambique's total annual greenhouse gas emissions. This figure alone is staggering. These emissions do not include the use of the combustion of the gas (scope 3 emissions), the biggest element of the project's emissions.

Gas can not be seen as a 'bridge fuel' to a low-carbon future. This project is not a 'transition project' – it is locking a developing country into fossil fuel development. Oil Change International have released compelling research showing that there is not only no room for any more fossil fuels, but that new gas capacity is actually displacing renewable energy.<sup>7</sup>

It is already known that the already-operating oil and gas fields alone would take the world beyond the 1.5 Celcius Paris Agreement target.<sup>8</sup> As the gas field is one the largest gas fields in the world and with a lifetime of around 30 years, the project does not fit in a 1.5 C pathway. Mozambique is already facing the impacts of climate change and is very likely to be one the countries that will be hit the hardest. Mozambique is consistently ranked as one of the most exposed countries to risks emanating from climate change.<sup>9</sup> This is inconsistent with the UK Government's Paris Agreement targets, and it undermines the UK's international aid goals, which UKEF has already been criticised for.<sup>10</sup>

Given the risks of further violence, community harm, environmental damage and climate damage, this project is not appropriate for UK Export Finance support.

We urge you to take into account the concerns we raise in this letter, inform us on in which way you took into account the information shared with you in your decision making process, and end your involvement in the Mozambique LNG project.

Yours sincerely,  
**Adam McGibbon**  
Global Witness

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<sup>7</sup> Oil Change International, November 2017m 'Burning the Gas 'Bridge Fuel' Myth,' <http://priceofoil.org/content/uploads/2017/11/gas-briefing-nov-2017-v5.pdf>

<sup>8</sup> Oil Change International, September 2016, 'The Sky's Limit', <http://priceofoil.org/2016/09/22/the-skys-limit-report/>

<sup>9</sup> Germanwatch, 'Global Climate Risk Index,' 2019, <https://germanwatch.org/en/16046>

<sup>10</sup> The Times, May 2019, 'Climate change aid policy makes no sense, say MPs,' <https://www.thetimes.co.uk/article/climate-change-aid-policy-makes-no-sense-say-mps-xpf7cw689>