

PAID FOR APPROVAL

HOW CONSULTING FIRMS AND INVESTMENT SERVICE PROVIDERS ENABLE HUMAN RIGHTS VIOLATIONS AND CLIMATE INJUSTICE: THE CASE OF GAS IN MOZAMBIQUE



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AUTHORS
CONTRIBUTORS
EDITOR

Daniel Macmillen Voskoboynik
Anabela Lemos, Daniel Ribeiro, Ihaam Rawoot , Joshua Dimon
Dipti Bhatnagar, Rehana Dada

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Website: www.ja4change.org
E-mail: j_amo2010@gmail.com
Facebook: ja4change
Telephone: +258 84 3106010

Physical Address
Rua Willy Waddington n-102, Bairro da Coop, Maputo

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INTRODUCTION:

UNDERSTANDING OUR WAY THROUGH SMOKE AND MIRRORS

For over a half-century, fossil fuel corporations funnelled tens of millions of dollars into lobby groups that sought to discredit climate science, dilute environmental policy, and delay efforts to address the ecological crisis.¹ But over the course of the last decades, the increasingly undeniable and overwhelming impacts of climate violence and systemic contamination, and the persistent efforts of grassroots movements and communities, have changed the game. Corporate actors and corporate-captured governments have been forced to respond in diverse ways, with many seeking to capitalise on a political economy in transition.

Sustainability, good governance and development have now become embedded in mainstream corporate jargon, accounting and bureaucratic compliance. Many investors increasingly turn to external companies, such as ESG (Environmental, Social and Governance) rating agencies, to provide evaluations and assessments on the sustainability of their investments. This report looks into the role of service providers – auditing, accreditation, consulting and certification firms – in the corporate-extractive system, focusing on the gas industry in Cabo Delgado, Mozambique.

Gas extraction has taken place in Mozambique, led by energy and chemical company Sasol, since 2006. Around 2010, major gas deposits were found off the coast of Cabo Delgado; since then billions of dollars in investments has flowed towards developing offshore extraction projects and their required onshore infrastructure. Despite ample available research showing the massive socio-ecological risks and damages of these projects, many of these mega-investments have been given the green light by service providers, in the form of sustainable investment labels, certifications, and approvals. How can we explain this? Additionally, what does this trajectory show about the reliability of the consultancy system to provide adequate guidance to companies in an era of climate dysregulations and deepening international inequalities?

This report looks critically at the systemic issues raised by service providers that are being tasked with assessing, tracking and flagging the risks of mega-extractive projects.

Note on Glossary

ESG refers to Environmental, Social and Governance and is a common set of standards used to benchmark and evaluate corporate performance. These standards incorporate criteria around a company or an investment's relationships to the environment, to social impacts, and to its own internal governance (ie. executive pay).

Service provider is a term used in the investment industry to refer to companies that offer auxiliary services to investors. These include consultancy firms, ratings agencies, and a variety of companies. We expand this definition to encompass all companies offering auxiliary services to institutions directly involved in financing or operating fossil fuel projects.

I. MEGA-GAS PROJECTS IN MOZAMBIQUE:

AN OVERVIEW

Gas extraction in Mozambique, from its very beginning, has been mired in controversy. In 2006, the South African based company Sasol began extracting gas onshore in Inhambane province, through the Pande and Temane projects. Sasol has been accused of ‘transfer pricing’ throughout this project, inflating costs and rerouting sales across borders to avoid paying fair taxes on its extraction in Mozambique.²

Over the last two decades, multiple discoveries of gas deposits off the coast of Mozambique have turned the country into one of the most desired sites of extraction for major gas producers. From the Rovuma Basin off the shores of Cabo Delgado province, to the Mozambique Basin, across the provinces of Sofala and Inhambane, it is estimated that Mozambique may have up to 100 trillion cubic feet of reserves, with the potential to make the country one of the world’s largest exporters of gas. The industry has expressed hopes that Mozambique may form part of the world’s top five exporters of liquefied natural gas (LNG) by the end of this decade.³

Reports by institutions such as the International Monetary Fund have suggested the ‘world-class gas discoveries off the northern coast’ have the potential to turn Mozambique into a ‘resource-rich country’, with double-growth figures. More recently, credit rating agencies have signalled the importance of the country’s gas projects in helping to pay its mounting debts.⁴

Over the last 15 years, many of the world’s carbon majors – historic fossil fuel companies such as ExxonMobil, BP, and TotalEnergies – have rushed to arrange agreements to exploit gas in the basins. At the time of writing, two major projects, led by diverse consortia, are underway, representing Africa’s largest LNG projects, and the most significant foreign direct investments (FDI) in the continent’s history of extraction. Two other projects have been tabled and are currently under investment review.

These projects are:

Mozambique LNG Project

Led by TotalEnergies
Purchased Africa assets of Occidental Petroleum (Oxy) in 2019
Investment: ~\$24bn
Status: Construction phase (paused)
Concession: Area 1
Note: ‘Force majeure’ announced in April 2021 after insurgent attack on Palma

Coral South FLNG Project

Led by ENI and ExxonMobil
Investment: \$4.7bn⁵
Concession: Area 4
Status: Actively extracting and exporting gas

Coral North FLNG Project

Led by ENI and ExxonMobil
Location: 10km from Coral South FLNG
Concession: Area 4
Status: Financial investment decision expected in 2024

Rovuma LNG Project

Led by consortium: ExxonMobil, ENI, and CNPC
Investment: ~\$30bn
Concession: Area 4
Status: Investment decision pending

These multi-billion dollar investments have been backed by multiple public and private financiers, including export credit agencies (China, Japan, South Africa, Italy, the Netherlands, United States, UK), multilateral finance institutions (African Development Bank) and major Asian (Industrial & Commercial Bank of China), African (Standard Bank) and European banks (Crédit Agricole, BNP Paribas)⁶. The only financial advisor for Mozambique LNG is Société Générale, while Crédit Agricole serves as financial advisor for Rovuma LNG and Coral South, at time of writing⁷. In November 2022, the first export of LNG from Mozambique to Europe left the facilities at Coral South FLNG (managed by ENI)

A conflicted national context

Mozambique is one of the most impoverished and indebted countries. According to the World Bank, nearly three-fourths of the population live in energy poverty, with only 30 percent of the country having access to electricity.

The country has also faced centuries of colonial and neo-colonial exploitation, recently epitomised by an event known as the “tuna bonds scandal”. In this case, European and Russian banks, together with Mozambican officials, were found responsible for kickbacks and corrupt deals, ostensibly around fishing investments. The scandal pushed the country

further into debt, despite the significant responsibility of Northern financial corporations. Mozambique's long-promised gas revenue will in theory be used to repay this debt. In fact, these illegal loans were heavily dependent on inflated projections of future gas revenues.

Mozambique is also one of the countries most vulnerable to climate violence, particularly the impacts of tropical cyclones, torrential rains, and inundation. In 2019, Cyclones Idai and Kenneth rained devastation across the coast; hundreds of people were killed, hundreds of thousands of homes were destroyed, and close to a million hectares of crops were destroyed⁸. Cyclone Eloise (2021), Tropical Storm Ana (2022) and Cyclone Freddy (2023) have further compounded impacts.

Mozambique's northern coastal region of Cabo Delgado – previously home to large farming and fisherfolk communities, and an emergent tourism industry – is the centre of the socio-ecological impacts of Mozambique's gas industry. While Cabo Delgado has historically faced inequality and deprivation, prior to the arrival of the gas industry local communities had greater access to ecosystems, sustainable livelihoods and safety⁹. Yet over thirteen years since the discovery of its mega-gasfields, the fossil fuel industry has contributed to the displacement of thousands of people, and has helped fuel a terrifying conflict.

Cabo Delgado: a window into gas-aggravated war

The gas industry in Cabo Delgado has been linked to mass displacement and impoverishment across the region. Research from Justiça Ambiental has found that especially around the most affected towns and villages (Milamba, Quitupo, Senga and Palma), the development of gas projects has left communities without lands or livelihoods, without access to adequate and just compensation.

Although the gas extraction is taking place offshore, such large-scale maritime facilities also require infrastructure onshore. Preliminary plans from gas companies showed that 550 families would face physical relocation and loss of their lands and fishing grounds as a result of the necessary construction. Despite the inherent responsibilities of gas companies to remedy the impacts of construction, in Cabo Delgado, hundreds of families have already been coerced to relocate without adequate or just compensation to make way for the industry¹⁰. Interviews with displaced families conducted by Justiça Ambiental showed that many villagers have seen their objections and concerns ignored, with no proper compensation or settlement schemes proposed by companies that can adequately deal with the problems faced by communities.

These fishing and farming communities, displaced from the sea and from their previous machambas (plots of farmland), have lost all means of both commercial income and subsistence. For a long time they have been living off erratic aid from TotalEnergies, and in abject poverty.

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War and militarization

Since around 2017, the northeastern province of Cabo Delgado has been in the middle of an insurgency, led by the group Ansar Al-Sunna Wa Jamma (ASWJ). Thousands of people

have been killed, and multiple human rights violations have been documented, including gender-based sexual violence, by insurgents as well as the Mozambican military¹¹. Approximately a million people – half the population of Cabo Delgado – are internally displaced. The reasons for the outbreak of the conflict are complex and beyond the scope of this report, but one observation is relevant: it is no coincidence that violence emerges at the geographic centre of Mozambique's gas findings. As a 2021 report from Amnesty International noted, “[t]hat very little of the income generated by these extraction industries – largely worked by international corporations, such as France's TotalEnergies, US' ExxonMobil, China National Petroleum Corporation, and Italy's Eni – stays in Cabo Delgado has contributed to the sense of resentment and outrage that fuels the fire of the insurgency.”¹²

States – from Mozambique to Rwanda – have militarised Cabo Delgado to protect their interests and those of allies. The Mozambican government has previously hired private military contractors such as Russia's Wagner Group and South Africa's Dyck Advisory Group, each with well-documented records of brutal human rights abuses.¹³

In early 2021, TotalEnergies paused developments, implementing a ‘force majeure’ after insurgents occupied Palma. During the occupation, 1193 people were killed or are missing¹⁴, and estimates rise to 1500 people, including community members and project subcontractors. Since then, Rwandan troops and soldiers from the Southern African Development Community (SADC) have been stationed in the region. Many families, including those who are still awaiting their resettlement and compensation from the fossil fuel companies in Cabo Delgado are now living in refugee centres. Until very recently, the community of Quitupo for instance, was living within the Afungi Park, and required military permission to enter and exit their village to find sustenance.

The region has since become increasingly militarised as a whole. TotalEnergies has demanded security for its project, and the Rwandan government has set up its own private security force, ISCO, also in Cabo Delgado¹⁵. These dynamics have contributed to stifling the possibilities of free journalism, reporting and civil society in the area. The Mozambican government has also enacted new laws that make it very difficult for civil society to operate freely in Cabo Delgado, which has had a national impact. Multiple human rights defenders and journalists have disappeared in the area over the last years, including community journalist Ibrahim, and community members Momade and Achimo; many others have been detained without charge¹⁶. This dangerous and hostile climate has also limited coverage and reportage on the gas projects.

Economic destruction

As the war continues, the trumpeted economic benefits of the gas projects, especially touted as contributing to ending debt dependency and boosting growth rates, look even more unlikely. Research by Open Oil shows that state projections of revenues from the projects are over-stated; actual revenues will be only around 40% of what was expected¹⁷. The intricate international tax structures used by fossil fuel companies, in this case the special purpose vehicles established in Dubai by companies like TotalEnergies, ExxonMobil and ENI, mean that many revenues will be tax-exempt; Mozambique will lose an estimated US\$5 billion because of these loopholes. Additional Open Oil analysis suggests that the majority of the country's gas is already possibly stranded, with the proposed projects covering only 16% of the country's estimated resources; the estimated return for Area 1 and Area 4, the key concessions, do not even reach eight percent¹⁸. More recently, a

2023 report from the Centre for Research on Multinational Corporations (SOMO) and The Centre for Democracy and Development (CDD) shows a further \$1 billion of tax loss due to international tax structures in Dubai.¹⁹

Impactos ambientais

The eastern coastlines of Africa are home to unique marine and terrestrial biodiversity. The northern coast of Mozambique has the majority of eastern Africa's remaining mangrove forests, and a range of pristine coral reefs and seagrass beds that provide nurseries and feeding grounds for marine mammals, fish and turtles. Quirimbas National Park, made up of 11 islands of the Quirimbas Archipelago, is declared a UNESCO Biosphere Reserve. The full Quirimbas Archipelago, which is made up of 31 islands stretching over 300km, is under consideration for Mixed World Heritage Site status because of its historical-cultural and natural value^{20,21}. The International Union for Conservation of Nature (IUCN) considers a number of the local species to be imperilled, including sei whales; dugongs; the Indian yellow nosed albatross; and loggerhead, green, leatherback, and hawksbill turtles.

The development of fossil gas projects across northern Mozambique poses significant threats to these biomes. Just consider the sheer area earmarked for use by the project: 350 km² in the case of Area 1, and 10,207 km² in the case of Area 4. Quirimbas National Park lies immediately south of Area 1, only eight kilometres from the concession's boundary.

The unavoidable impacts of the projects include dredging, waste disposal, construction, vessel traffic, ship strikes, habitat destruction and seismic surveying, all of which are especially damaging for marine species. Other potential and arguably likely impacts include spills and accidents. A spill of LNG can result in a potent fire or explosion since natural gas is highly flammable.

Another serious environmental impact comes from ballast water carried by ships which could carry alien invasive species to the biomes of Cabo Delgado. Alien invasive species have contributed to nearly 40% of all animal extinctions²². This is a major underestimated threat to the Quirimbas World Biosphere, which has been disconnected from international maritime transport until now. Around 7000 to 10000 living species are carried in the ballast water of ships around the world, making it one of the leading causes of the spread of alien invasive species in coastal and marine ecosystems²³. These species cause significant deleterious impacts on aquatic ecosystems, resulting in fundamental changes to habitat, predation impacts, resource use and competition with native species.²⁴

The ecological impacts of gas development in Cabo Delgado have already led to significant ramifications on the economy. Already, multiple islands such as Tecomaji and Queramimbi – famed for their wildlife and tourism – have lost much of their appeal in the wake of constructed projects.

Climate Risks

As multiple inter-governmental bodies have made clear over decades, we are facing a worsening global climate crisis, caused primarily by accelerated fossil fuel burning led by the world's richest economies. Averting the worst implications of this crisis depends on a radical transformation of the global energy system, starting by ending the fossil fuel era. Keeping global temperature rise under the guardrail of 1.5C, a key temperature target

upheld by international agreements and advocated for by the states and communities most vulnerable to climate change, essentially requires an end to all new developments of fossil fuels.²⁵

Research into the emissions potential of the three gas extraction projects in Cabo Delgado show they can increase Mozambique's emissions by 14%.²⁶ A more holistic calculation, which incorporates emissions from the end use (Scope 3) of the gas from the project, estimates this to be around 116 MtCO₂e per year; a sum equivalent to total emissions from the EU's aviation sector, or almost three times the annual emissions of Portugal.²⁷ Other research calculates the project's greenhouse gas emissions as being equivalent to seven years of emissions by France, one of the world's largest economies.²⁸

There is evidence to suggest that climate risks have been severely under-reported and under-examined in the case of Mozambique gas. For example, the export credit agencies in the UK and Netherlands who have backed the report, relied on a report by service provider Wood Mackenzie to evaluate Mozambique LNG's climate risk. This report not only fails to examine the project's viability against a 1.5 °C scenario (it only contemplates a 2 °C scenario), but it does not incorporate the full (scope I, II, and III emissions) stemming from Mozambique LNG extraction, transport and combustion.

The 2014 official environmental impact assessment for Mozambique LNG project also uses data assumptions that help undercount the emissions intensity of the project. In one overt example, the assessment uses an out-dated scientific understanding of the global warming potential of methane, rather than more up-to-date and accurate metrics.²⁹ Global warming potential (GWP) is a function which marks the extent to which a gas contributes to trapping heat. Over the last decade, methane – a key emission especially in gas projects – has been found to have a significantly higher GWP than previously known.

These examples are not minor mistakes or isolated errors; rather, they are methodological decisions to undercount pollution in order to justify it. The injustice could not be more clear. In one of the world's most climate vulnerable countries, corporations profiting from carbon-intensive industries are positioning drivers of degradation as salvations.

Corporate assessments may be deceptive, but their implications are not. Without bold global action towards decarbonisation and climate justice, including transfers of resources to support mitigation, adaptation and loss and damage efforts in the Global South, Mozambique will remain severely exposed to the climate crisis, particularly to the devastating impacts of drought, torrential rains, flooding, and strengthening cyclones.

Overall, multiple and converging strands of evidence point to gas investments in Mozambique generating significant financial risks, ecological impacts, and social consequences. All of these emerge in a national context with weak accountability for corporations and transnational actors. As an investigation by Stanford University environmental researcher Joshua Dimon shows, not a single project in Mozambique has ever been stopped due to an environmental impact assessment (EIA). The only projects halted in the country's history have had to do with conflicts between political actors. One person working for an environmental consultancy interviewed anonymously by the researcher said "EIAs are often conducted only for the 'English' [outsiders] to see (só para Inglês ver)."

Research into the application of EIAs in Mozambique shows recurring issues and inadequacies, especially for projects of the size, scale, and implication as LNG extraction. In Mozambique for example, EIAs for the oil and gas industry only are required to provide a mere 15 days for public comments per project.³⁰

Furthermore, the systems within Mozambique for evaluating and making transparent the risks of projects are conditioned by important limitations, most notably an absence of free, prior and informed consent (FPIC), and major conflicts of interest across the board, with environmental consultants paid directly by groups with interests in a project (see section IV). The scholarship of Dimon, who specialises in EIAs, identifies several grave issues at work in the case of gas in Mozambique. For instance, EIAs for gas exploration and development in the country did not disclose the composition of the drilling muds – which can be highly toxic and carcinogenic – as the company claimed this information was proprietary. The no-project option was not recognised as a possibility by state actors or consultants, biassing any idea of 'consultation'. There was little time period allowed to do an EIA, a major limitation in a country where by the standards of impact assessment, there is a lack of baseline scientific information on the country's resources, rural livelihoods, and ecosystems.

THE PROBLEMATIC HISTORY OF THE MPHANDA NKUWA MEGA-DAM PROJECT

The Mphanda Nkuwa dam project is a colonial-era project³¹ proposed for the Zambezi river, in Mozambique, and keeps re-emerging as a so-called solution for increasing power exports to Southern Africa. The controversial project has undergone two separate EIA processes, in 2001 and in 2011, both of which claimed that its environmental and social impacts were low.

However, numerous gaps and weaknesses in the EIAs were repeatedly highlighted by scholars, experts in different fields and civil society organisations, who exposed the lack of scientific rigour, and the underestimation or exclusion of important social and environmental aspects. These first attempts to develop the project have failed due to these and other reasons, including economic viability, but at the time of this writing, the government of Mozambique had just signed initial agreements for the construction and operation of the dam with a private consortium led by Électricité de France (EDF), also including TotalEnergies and Sumitomo Corporation.

A new wave of consultations, studies and over-optimistic projections is starting. The local communities – more than 1400 families which would have to be resettled from their ancestral lands and thousands of others who would also be indirectly affected by the dam – have been in a state of limbo for the last 25 years, facing many cycles of threats of relocation, a lack of information, and project cancellations^{32,33}. At each of the different stages, consultants, government officials and investors have claimed low impacts and promised high benefits, in their attempts to push forward the investment³⁴. Currently, and given the growing local opposition to the project, government authorities are in the process of intimidating and threatening communities in order to eliminate critical voices and resistance to the project, and ensure that the project is seen to be compliant with international standards. Several human rights violations have been

II. THE ROLE OF SERVICE PROVIDERS IN FOSSIL FUEL EXTRACTION

Fossil fuel projects rely on a network of actors to get off the ground. Geologists locate and evaluate deposits. Engineers explore the feasibility of infrastructure. Analysts calculate the financial viability of extraction. Financiers, from international financial institutions to commercial banks, assess risks and provide financial resources. Insurance companies underwrite projects, allowing them to get finance and permits more easily. Lawyers arrange contracts³⁵. Marketing departments devote budgets to promoting the benefits of a project and its operators. Purchasers make commitments.

Across all the nodes of this complex network, a variety of consulting, research and auditing firms – known within the investment sector as ‘service providers’ – play an increasingly crucial role in facilitating fossil fuel extraction. The table below lists multiple ways these companies provide their services:

Direct Support: Consulting companies can act as in-house or external consultants to fossil fuel companies and/or state governments, contractors, financiers, and purchasers. In this role, they often provide detailed and high-level technical skills. Providers that offer direct support include engineering, scientific, geo-chemical, financial risk, and environmental and climate impact assessors.

Indirect enabling: Service providers help enable the environmental, social and financial licence for fossil fuel companies to operate. These companies may support investors in fossil fuel companies for example by providing real-time data analysis, updates, news summaries, and ratings. Examples include ESG ratings agencies hired by pension funds for company research, or social audit companies that certify companies around the world.

Monitoring and Flagging: Investors (such as pension funds and asset managers) use consulting firms to monitor investments, and flag them if they breach previously agreed investment principles.

Service providers, especially in the field of sustainability and business ethics, have played an increasing role in the fossil fuel industry. Since the 1970s, environmental impact assessments (EIAs) have been emerging as a standardised requirement by state authorities to authorise fossil fuel projects. Consulting firms that provide assessments, or support companies in passing them, have sprouted up to meet demand. The European and North American environmental consulting industry really began to boom from the 1980s onwards, bankrolled by global development banks expanding to finance mega-projects across the Global South.³⁶

Simultaneously, as civil society demands for greater corporate responsibility have risen, multiple social audit and certification companies have emerged, to demonstrate the alignment of companies with international standards.³⁷

In the world of finance, another important development is the growth of the ESG (environmental, social and governance) sector, which emerged in the 1980s to help investors screen their assets based on their performance and diverse social and environmental indicators. From the 2000s onwards, ESG was pushed as a key concept by a working group led by some of the world’s largest financial institutions, from HSBC to the World Bank Group. This working group clarified that as opposed to sustainability, ESG helped prioritise shareholder primacy or material investment value.³⁸

Since then, ESG frameworks and understandings have been widely and prominently adopted in business and academic spheres. As one of the leading industry service providers ISS proclaims on its website, ‘ESG has gone from niche and narrow to a necessary part of institutional investing and asset management.’

Today ESG represents an expanding and increasingly expensive industry, with new products and packages appearing across financial markets. What was at one point considered a potential buffer to rein in damaging investments, has become integral in the investment ecosystem. In 2021, around US\$649 billion flowed into ESG-marked funds around the world.³⁹

III. EXISTING ISSUES AROUND CONSULTING FIRMS AND FOSSIL FUEL EXTRACTION:

AN OVERVIEW

There has been much literature discussing corporate capture by fossil fuel companies and other extractive corporations, in particular of the consultation and assessment industry⁴⁰. Our report focuses on service providers: the role of companies supporting investors and mega-corporations. In our analysis, we identify six key recurring issues: methodology, political economy and conflicts of interest, accountability and plurality, low standards, and poor data quality.

Before we look closer into each of these, it is worth grounding our discussion in a fundamental question: why do companies use these service providers? Is it because they truly want to protect the planet, communities, workers and ecosystems? Or is it because they want to please their shareholders and protect their profits?

As we will see, sustainability research can be a customised mirror – a company sees what it wants to see. Do corporations and investors want to look honestly at the messy, often harmful, and frequently disastrous consequences of extractive projects or investments? Or do they want mere rubber stamps or comforting certificates that their projects meet basic criteria?

These questions are not just rhetorical – they show that the decisions and active choices made by institutions are at the heart of the matter. Understanding service providers underscores that there is a great difference between analysing the world to seek to repair it, or analysing it to secure your own profits against that world. Too often, investors and corporations are choosing the safety of profit over the necessity of repair.

The first and most fundamental problem that surrounds service providers is methodological: what is ESG research looking for, how is it looking for it, and how does it look at it? In other words: what is the methodology, and what is the logic behind the methodology?

From a perspective of environmental justice, in theory, ESG or sustainability research should compel companies to take decisions that encourage socio-ecologically favourable outcomes. Ratings by third-parties should rigorously correspond to real standards.

Yet a closer look at how sustainability research from ESG service providers is used and provided across the extractive sector reveals a different picture. Corporations, to a great extent, define ESG as the potential risks that environmental, social and governance factors can make to a bottom-line profit. The gaze of environmental risk, designed to look at how business was impacting the world, has gradually been flipped to look instead at how the world can risk business.

Take the example of MSCI (Morgan Stanley Capital International), headquartered in New York, one of the world's leading producers of ratings on ESG practices. Such ratings are often invoked by state and corporate actors to justify the label of 'sustainable' or 'green' on investments. MSCI ratings are used by some of the world's largest institutional and fossil fuel investors, including BlackRock, and research suggests that over three-fifths of the capital retail investors have invested into 'sustainable or ESG funds' across the world has flowed towards funds shaped by MSCI's ratings⁴¹

Yet how effective have ESG ratings been in helping investors vigorously screen their assets, or in offering informed guidance for investors? A Bloomberg investigation in 2021 found "virtually no connection between MSCI's 'better world' marketing and its methodology", fundamentally because "the ratings don't measure a company's impact on the Earth and society. **In fact, they gauge the opposite: the potential impact of the world on the company and its shareholders.**"⁴²

Let us pause for a second, because this understanding is indispensable. At face-value, MSCI's methodology is meant to assess and reveal **sustainable practice** in investment, benchmarking high standards, and rewarding companies for more sustainable and ethical practices. Yet in reality, MSCI's methodology looks at what they call **material financial relevance**: *what is the risk of the world to investments?* ESG, conceived as a mirror, becomes projection.

MSCI's own website explains their aim: "to measure a company's management of financially relevant ESG risks and opportunities." MSCI uses a "rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers."

ISS (Institutional Shareholder Services), another service provider that is headquartered in the United States, explains on its website that "ISS ESG's scientifically based rating concept places a clear, sector-specific focus on the materiality of non-financial information"; this information is "instrumental in helping investors minimise ESG risks, comply with evolving regulatory and stakeholder requirements and seize opportunities."

Amsterdam-headquartered Sustainalytics' ESG risk ratings come down to both exposure and management, the "extent to which a company is exposed to material ESG issues' and how well they manage it." ^{43,44}

Understanding that much of ESG research primarily looks at materiality – the calculable financial risks and rewards of a company's operations (read: money) – helps us look askance at each data point.

Take the measurement of water stress, a common metric on many sustainability assessments that is meant to measure the relationship between an economic project and water sources, an issue highly pertinent to the fossil fuel industry. At face value, this concept-metric can be understood from at least two opposing angles: a) does the company stress the water supply of the territory and its communities, or b) is there enough water for the company in this territory? Typically, ESG analysis tends to look at the latter.

Detailing the gaze that lies behind corporate ESG methodologies helps us better understand the seemingly haphazard positions or ratings that many companies receive. In Bloomberg Businessweek's analysis of MSCI and their ESG rating upgrades, their research surprisingly showed "how rarely a company's record on climate change seems to get in the way of its climb up the ESG ladder – or even to factor at all." ⁴⁵

McDonald's, one of the world's largest corporate emitters of greenhouse gases, received an ESG-rating upgrade from MSCI, after MSCI dropped analysis of carbon emissions from its calculation of the company's ratings. The reason? As Bloomberg writes, "Because MSCI determined that climate change neither poses a risk nor offers "opportunities" to the company's bottom line."

Another service provider, Sustainalytics, interviewed by Justiça Ambiental, affirmed that analyses of the extent to which a company's projects aligns with the Paris Agreement do not enter its calculations, because "companies are not told [by] international bodies what to do to be in line with the Paris Agreement."

What is meant to be a system of accountability often appears to be a system of performative accounting. Bloomberg's MSCI research revealed that around half of companies who received upgrades in their ESG ratings received it for purely methodological reasons: "methodology changes, reweightings or similar tweaks." ⁴⁶ For those unwilling to read the fine print, ESG methodologies can seem deceptively robust. But more fine-grained analysis reveals that more often than not, ESG analyses are far less compelling, transparent and self-evident than what meets the eye.

Accountability and Plurality

Another major problem is the absence of accountability, regulation and plurality (diverse interpretations of what sustainability and ethics mean).

While ESG ratings or other environmental credentials may resemble the prestigious ratings made by credit ratings agencies, there are some major differences. Credit ratings agencies are first of all tightly regulated by governments; every credit rating agency examines the same exact data sets, and they all look for analogous insights around the risk of debt default. This explains why ratings by diverse credit ratings agencies tend to converge or largely be the same.

ESG is on the other hand very loosely regulated. Competitors reach different conclusions as they look at different datasets with highly discrepant methodologies. Ratings tend to be very variable and diverse across the board. Research by State Street indicates that there is less than a 55% correlation between the ratings of the largest two agencies. ⁴⁷

This stems from the plurality of methodologies in the ESG space, which reflect a wide range of ideas on what 'ESG' actually means. Each company will use its own methods, definitions, algorithms, and sources. The majority of these methodologies are not fully transparent and are unregulated.

Since all ESG methodologies are different, it can be difficult to consistently judge a company comparing across a range of ESG analyses. ^{48,49} Researchers have identified a few key areas of divergence, including scope divergence (ratings based on different attributes), measurement divergence (different indicators), weight divergence (different understandings of value) ⁵⁰. The significant discrepancies across ESG analyses leave reviewers with a great deal of uncertainty around how to appraise each analysis. ⁵¹

Different methodologies are not just used by different service providers; one single service provider will offer products that use entirely different methods, with different data points, depending on the wishes of the client. In one interview conducted by Justiça Ambiental, a service provider employee from ISS (Institutional Shareholder Services) suggested that a client perhaps had not received key information about the risks of a fossil fuel project because they were not subscribed to a particular product which provided this information.

Inside many major ESG research firms, a recurrent problem is that people work in silos. Teams focusing on tracking sustainability or climate risk will not be connected with those monitoring labour and human rights abuses for example. The lack of synergy and informational exchange across departments and products means that data is often dispersed across different company departments.

Political Economy and Conflicts of Interest

The incentive structures in the environmental consultancy space raise many questions around the 'independence' and 'objectivity' of these actors. Service providers are not independent or neutral providers but rather, profit-driven entities in a competitive market. Put simply, the goal of service providers is to increase profits by providing services to other companies. Each seeks to offer unique products, distinct from their competitors, that will be more appealing to a firm. In the case of ESG rating agencies, as researchers Florian Berg, Julian F Kölbl, and Roberto Rigobon write, "an important part of the service' that these agencies offer is 'an interpretation of what ESG performance means.'" ⁵²

The result is inevitably a subjective skewing of results, favouring commercial interests. A 2021 study determined that firms which have the same major shareholders with the firm rating them receive higher ESG ratings"⁵³. The study's findings suggest that "rater ownership plays a significant role in the determination of ESG ratings"; this clear relation indicates that "conflicts of interest in market practices can undermine the integrity of ESG ratings", and "affect the validity of the ESG ratings". ⁵⁴

Overt conflicts of interest also arise between financial institutions and consulting firms. As one former employee of ISS observed in an interview with Justiça Ambiental, "Financiers

of [major fossil fuel] projects too, base their agreements and continued support on these consulting firms, some of whose clients include not just financiers of a project, but the lenders themselves.”

We are left with a critical problem. Service providers play a key analytical role in the global economy, yet that analytical role is left to the market. Permitting a crucial public good – high-quality socio-ecological information around the impacts of economic relations – to be commodified by corporate service providers, means that the data and insights these will provide will be significantly influenced by commercial agendas. These embedded conflicts of interest generate a situation, as J.M Baker and Clinton Westman describe in their study of impact assessments by tar sands extractors, where “the proponent company is effectively in charge of making the output fit its needs.”⁵⁵

In the case of social audits, almost all are voluntary, and driven by companies, not external watchdogs or independent monitoring agencies tasked with corporate accountability. The business and human rights researcher Maria Hengeveld, after researching the audit industry, concluded, “Audit firms put profits before workers. They aren’t held accountable by the NGOs tasked with monitoring their work. Their inspections have failed to signal safety and labour violations, so tragic factory fires and accidents remain common. That’s because there are flaws built into the social audit model. Since the audits are paid for by the companies being audited, firms have little incentive to protect workers.”⁵⁶

In most cases service providers across the board are paid directly by companies, who maintain direct vested interests in the outcome of a project evaluation or certification, automatically challenging the notion that providers operate as ‘independent consultants’. At closer look too, we can observe an easily-revolving door between major fossil fuel companies and consulting firms. Many environmental consultants that work at certification companies eventually move to the industry they are assessing, and vice-versa.

Weak Standards and an Impossibly Low Bar for Ethics

Another major issue is simply low standards. Many ESG methodologies have been scrutinised for being essentially superficial, rewarding even the most basic measures taken by corporations. JPMorgan Chase, one of the world’s largest financiers of fossil fuel extraction and dirty energy, saw its ESG ratings by MSCI increase after it published its first ‘climate report’, formed a green project committee, and underwrote a package of green bonds. No consideration was seemingly given to its enormous fossil fuel portfolio.⁵⁷

GALP – one of the stakeholders in Rovuma LNG and Coral FLNG – is one of the highest-rated sustainable companies across diverse ESG metrics, receiving a triple-A rating from MSCI, and a top-5 company rating in Sustainalytics⁵⁸. ENI, one of the world’s largest fossil fuel companies, and a leading stakeholder in Mozambican gas, only has a medium ESG risk according to Morning Star/Sustainalytics. Both GALP and ENI have faced intense scrutiny over decades for environmental negligence and violations of labour and communal rights.⁵⁹

The issue of low standards is distinctly overt in the realm of human rights violations, labour rights and carbon pollution. ESG has a comparative focus: companies are compared with peers across the sector. When it comes to climate emissions for example, which are intensive across the oil and gas industry, these can often barely affect ESG ratings, since high emissions are commonplace in the sector. Similar dynamics arise with the social impacts of extraction. Over centuries, colonial states and corporations have normalised the imposition

of extraction through brutal violence, militarisation and the forced displacement of local communities. As a result, when these severe impacts occur, they are scarcely registered as ‘ESG risks’ for companies.

Environmental, social and governance analysis conducted by service providers rarely looks in detail at the context or current situation of a country. ESG analyses tend to only examine what can be very ‘directly’ linked to a project. Such a reductionist analytical gaze ignores the often complex ways extractive projects affect and transform a social landscape. Aggravating a civil war, deepening social inequality, exacerbating pollution – these types of messy, real-world impacts represent effects that ESG consultancy firms simply prefer to ignore.

Setting a low bar for companies implies setting a high bar for communities. Service providers and consultancy firms place extraordinarily high standards for the circumstances under which they would flag a project as ‘unsustainable’ or noteworthy of alarm. One employee of Sustainalytics interviewed for this report explained that their detection of high-risk incidents across companies was designed to highlight only the “worst of the worst, really exceptional violations of international norms.” Displacements of communities of hundreds of families are considered ‘normal’, or not ‘a high number of families’ for the relevant sector. A question then arises: what is actually a high number of families, or a high enough number of families, for a consultancy firm to raise the alarm?

In an interview, a former analyst at a major ESG service provider, said: “This monitoring [of high-risk incidents] is inadequate to say the least – it is rare that a consultancy alerts a company to problems on the ground, and even if it does so, the client rarely takes it into account.” In reality, the threshold for when something on the ground is ‘bad enough’ is not defined or transparent. If evicting 500 families is not considered remarkable, then companies essentially have a ‘green light’ to do just that.

Severe impacts are therefore upgraded to only exceptional circumstances of mass atrocity or potentially criminal mismanagement. In addition, the thresholds at which a company or an extractive project becomes flaggable are purposefully unclear and undefined.

Such a pattern of standards – low for companies, high for socio-ecological impacts – has the overall effect of cheapening the certifications. In the United States, around 90% of stocks on the Standard & Poor’s 500 index end up on ESG funds that use MSCI’s methodology. According to this idea, sustainability is the norm, not an exception⁶⁰. In the corporate-ESG prism, companies by default behave positively; it would take enormous evidence to prove otherwise.

The Quality of Social and Ecological Data

Questions abound around the data inputs that service providers receive. ESG firms are increasingly reliant on a combination of artificial intelligence assisted research (such as alerts) and desk research conducted by ESG analysts. Data is typically sourced from tens of thousands of traditional media outlets, digital media outlets and organisational reports. Service providers, some under legal obligation, tend to only rely on publicly available information from a select group of sources that are considered valid, sometimes referred to as ‘stakeholder publications’.

But this raises an obvious question? What sources are considered valid and credible?

Information from NGOs or grassroots media that is not considered mainstream, are not considered as very credible. There is rarely if ever any actual detailed investigation by ESG analysts into local contexts, and many local media outlets and platforms are not picked up by search systems. These issues, especially relating to data availability, are especially pertinent in the case of Cabo Delgado. What does it mean to solely rely on media outlets, in a context of war where freedom of speech and the rights of journalists have been trampled? What happens in countries, contexts or communities where media coverage is sparse, highly-biased, and deficient?

Additionally, both ESG firms and environmental impact assessors tend to rely inordinately on self-reported data or survey responses provided by companies. Communities and researchers have heavily critiqued the power dynamics of both ESG analysis and environmental assessments, which under-represent marginalised perspectives, especially non-hegemonic, non-white, non-cis male, or non-individualist gazes. Overall, horizontal-communal knowledge is devalued, favouring a vertical understanding by 'expert outsiders'. The anthropologist David Natcher described an environmental impact assessment as a 'misrepresentation' of landscape.

Similarly, ESG approaches, when appraising social and communal concerns, rarely take into consideration community politics and the thorny matter of who represents a communal perspective. Is it someone represented by the government, or openly elected by the people?

Environmental auditors and impact assessors frequently conduct what is known as 'NGO engagement': consultation with relevant NGOs in an area. But the NGOs chosen for consultation are often those most partial to the project, including NGOs who are already reliant on company contracts or benefactions.

Furthermore, rarely is the indispensability of local expertise or fieldwork acknowledged by service providers. Although it may appear obvious that understanding complex socio-ecological conflicts requires significant expertise and nuance, ESG analysts tend to be largely junior roles. Rarely do ESG analysis teams prioritize the kinds of backgrounds or skillsets – local ecological knowledge, anthropology, fluency in local languages, ecological economics, war and genocide studies, epidemiology – that might facilitate a deeper understanding of socio-ecological impacts. Finally, service providers, especially in the transnational ESG space, tend to have very little expertise on areas such as Lusophone Africa, let alone Mozambique.

DUTCH MINISTRY OF FOREIGN AFFAIRS' INDEPENDENT REVIEW OF THE SECURITY ASSESSMENT FAILURE OF ADSB FOR LNG PROJECT IN MOZAMBIQUE

Atradius Dutch State Business (ADSB) took a decision to provide export credit insurance for the Mozambique LNG project. The Dutch Ministry of Foreign Affairs commissioned an independent review⁶¹ into ADSB's security assessment around the project, which was released in February 2023. It highlights many of the issues mentioned in our study. The review report plus annexes is over 260 pages long in Dutch, and presents in detail the errors, biases, gaps in methodology, problems with source material and much more. Some of the findings are as follows (as taken from a translation of a summarised version of report):

- a procedural mandate to weigh safety risks is largely lacking;
 - a sound structure for both the source use, the analysis and the mitigating measures is lacking;
 - there is no structured source justification, no structured choice of specific sources for certain information questions and the source citation is inconsistent;
 - vulnerabilities which show a high degree of subjectivity in the safety analysis;
 - a lack of clarity means that no adequate conclusions can be drawn from the analysis;
 - the analysis of risks on the basis of relevant factors and actors is completely lacking;
 - [there is] a striking inconsistency between the comprehensiveness of the source data on the one hand and the analysis and mitigating measures on the other hand;
 - the independence of the parties involved varied widely;
- The independent review shows that the investment interests clouded the security and human rights function of the assessment. It advises that when external sources of information are used to analyse relevant aspects of the underwriting proposal, the independence of these actors must be guaranteed. This is a very basic ethic that should not need to be highlighted. These types of grave issues are evident in many consultant processes.

IV. CONSULTING FIRMS AND THEIR ROLE IN MOZAMBIQUE

The core problems with service providers in the sustainability space are all relevant in the case of Mozambique. Below are some clear examples that illustrate this, starting with direct service providers and then looking more closely at ESG ratings agencies.

ERM (Environmental Resources Management) & Impacto - environmental impact consultancy firms - headquartered in London and Maputo respectively

Under Mozambican legal frameworks, environmental and social impact assessments (EIAs) are mandatory for extractive projects. Projects require an environmental licence as a prerequisite. The EIA for the Liquefied Natural Gas (LNG) Project associated with the gas fields within Area 1 Offshore of the Rovuma Basin and Area 4 Offshore of the Rovuma Basin was produced by Environmental Resources Management (ERM) Southern Africa in association with Projectos e Estudos de Impacto Ambiental, Lda. (Impacto) on behalf of Anadarko Moçambique Área 1, Lda (AMA1) and Eni East Africa S.p.A.⁶² At the time, Anadarko was leading the Mozambique LNG Project, before selling its stake in 2019, and was the company that undertook the EIA.

ERM has multiple clients in the oil and gas industry, and is the environmental assessor of choice for some of the world's oil and gas majors, including ExxonMobil. ERM has previously faced multiple conflict of interest scandals, particularly around projects, including the Alberta tar sands in Canada. In 2013, Friends of the Earth US accused the company of 'conflict of interest' given it was the company hired by the US State Department to assess the impact of the Keystone XL pipeline project, while maintaining contracts with the pipeline projects. Most recently, in Guyana, ERM was criticised by environmentalists for its own

conflicts of interest, after hiring experts who had previously worked with ExxonMobil to conduct environmental impact assessments on future extraction projects by the company.⁶³

Clear issues of conflict of interest are at play in Mozambique. Kamal Govender, an ERM project manager who coordinated the EIA for the proposed LNG project associated with Area 1 and Area 4 of the Rovuma Basin, would go on to be employed as a Health & Safety representative working on the Mozambique LNG Project for Anadarko Petroleum Corporation, and as Senior Environmental Advisor on the Mozambique LNG Project for TotalEnergies. Revolving doors are common practice in Mozambique.^{64,65}

RINA - testing, inspection and certification firm
headquartered in Italy

RINA was involved in EIAs for the export credit agencies and other state financiers of Mozambique LNG, while also conducting them for some of the companies directly driving the project, like ENI. RINA has already been embroiled in controversy. In August 2012, the company certified Ali Enterprises textile factory in Karachi, Pakistan, as abiding to international labour standards. Just weeks later, over 250 people died in a fire at the factory. Reports suggested that both RINA and its Pakistani subsidiary had never even conducted field visits at the factory⁶⁶. Further research into RINA's practices, particularly in South Asia, found consistently lax approaches to rigorous research, including paring down site visits, copy-pasting information from other audit reports, and prioritising the 'bottom line' over quality information.⁶⁷

ISS (Institutional Shareholder Services) - proxy advisory firm and service provider -
headquartered in the United States

ISS plays a key role in sharing information with institutional investors, sourcing its information from tens of thousands of media outlets, filtered by AI-assisted analysts. The searches are not neutral. There are clear selection criteria and a lack of transparency surrounding what is included and excluded from these searches, which can heavily affect the results. Research from Justiça Ambiental and Afrikagrupperna into Scandinavian pension funds found that the vast majority of these funds, many of which use ISS as one of their consultants, did not know there were any issues associated with the Mozambican gas project.

Sustainalytics - research, ratings and analytics firm -
headquartered in Amsterdam

Sustainalytics is another leading service provider, also focused on providing incident-driven research to clients. As in the case of ISS, many pension funds who were clients of Sustainalytics, failed to receive meaningful information about the complex socio-ecological risks of gas development in Mozambique. In general, the ratings are positive unless a significant amount of evidence to the contrary appears, which incentivises oppressive regimes and others to prevent journalists and civil society from exposing the project realities on the ground.

LKL International Consulting

LKL International Consulting, a Montreal-registered company, was the service provider commissioned by TotalEnergies to produce its human rights due diligence assessment⁶⁸. One of the company's directors, as listed in public records, is the human rights lawyer Lloyd Lipsett⁶⁹. Lipsett is listed as the Senior Human Rights Expert who contributed to the assessment, and has expertise in human rights impact assessments across mining, oil and gas.

Lipsett has previously publicly defended the mining company Nevsun Resources against allegations of human rights abuses in Eritrea⁷⁰, and has most recently appeared as an advisor to the EACOP pipeline project (both EACOP and Mozambique gas projects are funded by multiple common financiers, such as Standard Bank)⁷¹.

Another contributor to the assessment is Dana Frye, who would go on to found Frye Social Responsibility Consulting, which has worked with TotalEnergies in Tanzania.

Conningarth Economists - economic research consultancy firm

Conningarth Economists is a multi-disciplinary service provider based in South Africa, that has provided various macroeconomic research studies into the prospects of LNG in Mozambique on behalf of Standard Bank, a key financier. These studies tend to greatly underplay risks and over-emphasize the potential economic benefits for all of LNG projects, offering bold figures that can be used by banks, state actors and fossil companies themselves; Conningarth's study examining the Rovuma LNG Project confidently affirms that "The Project makes sense for Mozambique because it offers a win-win for the GOM, MRV, future Domgas Projects, and civil society."⁷²

Conningarth have collaborated consistently over the last decades with major utilities, extractive corporations and fossil fuel companies including Eskom and Vale Mozambique.⁷³ Recent work includes another macroeconomic study commissioned by the Tanzanian government and banks into the benefits of LNG investments in Tanzania.

V. SELF-CERTIFICATION:

A GROWING PRECEDENT BEYOND THE OIL & GAS INDUSTRY

While this report focuses on the gas industry, it is worth noting that the phenomenon of dubious self-certification extends across many major projects in Mozambique.

One clear case in point is the Mphanda Nkuwa dam project: a 1500MW mega-dam proposed to be constructed on the Zambezi river in Tete province, inland Mozambique. Due to its problematic history (see box 2)⁷⁴, the Mphanda Nkuwa dam project has promoted a hydropower certification scheme – Hydropower Sustainability Standards (HSS) – to greenwash its socio-ecological credentials. These standards, as explained by the Council itself, are a "comprehensive, evidence-based and transparency methodology", designed "to certify hydropower projects for their sustainability performance"⁷⁵

The glaring problem with HSS, inherent to many certification schemes across industries, is self-evident: those being held to account by a standard determine its stringency. As previous analysis from JA! outlines, certifications schemes like HSS are "non-binding, optional and can be designed to fit the specific wants and interests of the sector. For a project to obtain the basic certification of "Certified Sustainable Hydropower" it requires that "Projects have undergone an independent assessment and have met the minimum requirements of the Standard, and have received a total advanced requirement score below 30%". It is not very ambitious, to say the least. Even the highest certification "gold", requires the project to only "meet a minimum of 60%" on all 12 criteria.⁷⁶

Furthermore, if one looks at the 12 specific criteria, and their methodology, one finds further weakening of standards. For example HSS sets the GHG emissions upper bound to 100 gCO₂e/per kWh, which is an extremely high amount and easy for most projects to achieve and report. The industry average is between 24–28 gCO₂e/per kWh, so what the HSS defines as best practice is 3 to 4 times weaker than the industry average. Even

the International Energy Agency (IEA) recommends 50 gCO₂e/per kWh limits and notable scientists and civil society groups have demanded further reduction. So not only is the accumulative result of all 12 criteria made easy to achieve, each criteria is weak in isolation.

HSS positions itself as an ambitious initiative driving hydropower projects to achieve ‘the best industry standards.’ Yet in an industry where best standards fall short across the board, especially in terms of integral sustainability and human rights, the bar is low by default and HSS merely certifies that low standard as “Certified Sustainable Hydropower”. HSS does little to incentivise systemic improvement in dam projects, given the certification scheme essentially conforms to a client’s needs. The scheme respects the confidentiality requests of their clients, and uses vague and pliable criteria, enabling clients to adjust the certification to meet their project, rather than the other way around.

Unless there are radical changes in how corporations understand and undergo impact assessments and risk evaluations, such schemes will remain “self-fulfilling concoction[s]”⁷⁷, by companies for companies.

CONCLUSIONS

CORE ISSUES WITH CONSULTING FIRMS IN MOZAMBIQUE

This report provides a brief and summarised overview of some of the many issues that emerge when examining the roles service providers have played in justifying, validating and advancing gas extraction projects in Mozambique. The examples described above reveal multiple core problems. Firstly, a pattern of potential conflicts of interest that need to be made transparent, and at the very least, understood and incorporated by investors into their decision-making processes.

Secondly, purportedly impartial service providers have made repeated methodological decisions in their research and analysis that undercount and underplay the socio-ecological impacts of gas projects in Cabo Delgado.

Thirdly, it is clear the consultancy system has failed and continues to fail to adequately inform investors about the significant implications of gas projects in Mozambique. This report assembles this evidence and additional theoretical critiques to show that service providers (auditing, consulting and certification firms) are complicit in minimising and enabling human rights abuses and environmental crimes.

Yet this is only part of the picture, as it is not only service providers that are to blame. While data may feel neutral, its usage makes it immediately partial. Investors use ESG metrics in different ways – some to guide their decisions towards better socio-ecological goals, others to maximise profits⁷⁸. For many, purchasing products from ESG analysts is simply an exercise of ticking boxes and managing reputations. One employee at Institutional Shareholder Services confirmed that they had sent a negative report on a project to a Swedish government agency, who had simply ignored it.

There are deeper questions this paper does not touch: is an ‘ethical’ or ‘sustainable investment’ even a meaningful classification, especially at the scale of investors that ESG methodologies engage with? As the researcher Davide Maneschi from Swedwatch reflects, “Capital investment by its own nature pursues capital growth (through labour and resource extraction). Yet we cannot grow indefinitely on a finite planet. This dynamic is intrinsic in capitalism and ESG does not address this at all, but it does give an impression that investment is sustainable, thus potentially making the problem even worse as it distracts attention from a radical reform of the global financial system.”

In pursuit of profitable growth, large-scale investors spread their capital across dozens of major funds, each pooling thousands of investments in major corporations. Each corporation is linked with dozens of subsidiaries, affiliated companies and commercial projects. Confidently vouching for the ‘sustainability’ of one entire chain of that complex system, given all the intricate interactions at play, feels increasingly implausible once we look closer.

Yet what is clear, especially for communities in Mozambique, is that the ‘ESG’ or sustainable-investment model has failed. If service providers failed to alert global investors to the risks and unjust impacts of Mozambique gas projects, then it appears ESG methodologies are currently not fit for purpose. Without major transformations, they cannot adequately share the insights and evaluations that can help the financial-economic system address the injustices of the planetary crisis, impoverishment and global inequality.

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