

21.11.2024

Subject: Call to rule out financial support for Coral North FLNG

To private financial institutions: Sumitomo Mitsui Banking Corporation (SMBC); MUFG Bank; Mizuho Bank; HSBC; Industrial and Commercial Bank of China (ICBC); ABN AMRO; Societe Generale; Banque Populaire Caisse d'Epargne (BPCE); BNP Paribas; Credit Agricole; Intesa SanPaolo; Standard Bank; Banco Comercial Português (Millennium BCP); Rand Merchant Bank; Nedbank Corporate & Investment Bank; JP Morgan; Shinsei Bank; Nippon Life Insurance; Standard Chartered Bank; ABSA Bank; Santander; First Abu Dhabi Bank; Arab bank; Arab Banking Corporation (Bank ABC); Mashreq Bank.

To public financial institutions: The Export-Import Bank of China (China EXIM); China Development Bank; Bank of China; African Development Bank (AfDB); Sinosure - China Export & Credit Insurance Corporation; Development Bank of Southern Africa (DBSA); African Export Import Bank; Export Credit Insurance Corporation of South Africa (ECIC); Industrial Development Corporation (IDC); First Abu Dhabi Bank; Saudi National Bank (SNB); National Bank of Kuwait; Abu Dhabi Islamic Bank; Korea Trade Insurance Corporation (KSURE); Korea Development Bank (KDB); Export Import Bank of Korea (KEXIM); Japan Bank for International Cooperation (JBIC), Nippon Export Investment Insurance (NEXI); Japan Organization for Metals and Energy Security (JOGMEC); Servizi Assicurativi del Commercio Estero (SACE); Cassa Depositi e Prestiti.

We, a group of 11 civil society organisations from Mozambique and across the world, write to [FI name] to share our concerns about the construction of a new floating liquefied natural gas project (FLNG) called “Coral North”, operated by the Italian multinational oil and gas company Eni in the Rovuma Basin, off the coast of Mozambique.

The project entails the development of six subsea wells to extract fossil gas from Mozambique’s offshore Coral reservoir, and the infrastructure to liquify, store and offload the gas for export.¹ It is intended to be a replica of the existing Coral South FLNG project - which has been operational since 2022 - to be located ten km away from it. [FI name] financially supported the Coral South FLNG project in 2017 with USD XX /or/ [FI name] financially supported the Mozambique LNG project with USD XX /or/ [FI name] is a financier of project sponsor ADNOC (for the Middle Eastern banks).

All of the gas extracted by Coral South FLNG is purchased by BP who resells it on the market.² None of the extracted gas stays in Mozambique for domestic needs - while only 33% of the population has access to electricity,³ and it’s not used to ensure European energy

¹ The production capacity of the unit is 3.55 MPTA (million tons per year) of gas and the FLNG unit will be anchored at sea approximately 50 km from the coastline.

² <https://www.eni.com/en-IT/media/press-release/2017/12/eni-achieves-financial-close-for-coral-south-flng.html>

³<https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?end=2022&locations=MZ&start=1997&view=chart>

security either, as was initially claimed by Eni when the first cargo was shipped.⁴ Public sources (Urgewald based on Kpler data)⁵ indicate that up to the present day, the majority of the gas has been supplied to big Asian LNG consumers countries, including Japan, who will be expected to experience oversupply and are already reselling gas to other countries.⁶ To date, the destination of the gas extracted and exported through the Coral North FLNG project remains unclear.

In addition to these facts, there are serious concerns about the impacts of both FLNG projects. In May 2024, the Mozambican environmental justice NGO Justiça Ambiental and the African human rights and environmental law NGO Natural Justice submitted comments on the environmental impact assessment (EIA) report for the proposed Coral North project. Despite essential documents not being made available, their analysis demonstrates that the EIA is not in compliance with national and international legal instruments, including Mozambique's Constitution, national EIA Regulations, United Nations Convention on the Law of the Sea, United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.⁷

Moreover, the organisations contend that the EIA does not adequately consider the risks and impacts of oil spills and gas condensates, it also lacks in considering impacts on marine species and ecosystems, and the cumulative impacts of the existing Coral South and Coral North projects combined. The project area is very remote and relatively pristine with low human impact. According to expert reports collected by the organisations, the EIA relies on global scale models, which means loss of accuracy. In particular: the comprehensive baseline study is not accurate; species lists are deficient and in some cases incorrect, excluding likely species of whale, bird or other marine megafauna impacted; there are gaps and deficiencies in the assessment of underwater noise and mitigation measures; and lacks in considering impacts of drilling rigs and debris on benthic macrofauna.

The EIA also fails to account for the high risks that this project poses to Mozambique's economy: academic studies show that Mozambique's international investment agreements and fossil fuel contracts allow foreign investors to bypass the national judicial system and bring multi-billion-dollar ISDS claims against Mozambique.⁸ Moreover, the EIA is missing a correct assessment of Coral North FLNG negative economic impacts on ecosystems, human communities and their livelihoods - like a healthy marine and coastal environment for fishing, that would outweigh any anticipated socio-economic benefits for the people of Mozambique. The Coral South monitoring data referred to and invoked to support the claims that livelihoods will not be affected, particularly of fishermen, was not included in the EIA records, and was not made available upon request.

⁴<https://www.nsenergybusiness.com/company-news/eni-area-4-partners-ship-first-cargo-8bn-coral-south-flng-project/>

⁵ <https://www.recommon.org/gli-interessi-italiani-in-mozambico-eni/>

⁶ <https://ieefa.org/resources/japans-largest-lng-buyers-have-surplus-problem>

⁷<https://naturaljustice.org/comments-on-coral-north-floating-gas-project-show-eia-shortcomings-and-expose-its-harmful-impacts/>

⁸ https://scholarship.law.columbia.edu/sustainable_investment/30/

The organisations claim that the EIA also significantly underestimates the anticipated greenhouse gas emissions of the project, while intergovernmental organisations share a science-based consensus that no new oil and gas fields and no new liquefied natural gas (LNG) export terminals should be developed to reach the Paris Agreement goal of 1.5°C above pre-industrial levels.⁹

Despite all the above, [FI name] is still financing [insert the activity and support to oil and gas / to ENI / ADNOC/ to Mozambique gas of your FI]. Moreover [insert info on the policy on upstream and midstream gas development to conclude that: the FI should apply its policy and rule out /OR/ the FI's policy still allows new oil and gas development projects and should be urgently improved.]

Several of the banks that financed Coral South FLNG now have policies or strategies in place that should exclude them from financing Coral North, like the Italian bank UniCredit, which will not be supporting the project.¹⁰

In addition to the arguments against new LNG development, at this time, Mozambique is under significant and growing international criticism for electoral fraud, political assassinations, and violence against citizens. This is against a backdrop of national strikes and demonstrations since 19 October, when two senior opposition figures were brutally murdered.¹¹ One of them was the legal advisor to the presidential candidate, who was preparing to contest the October 9th presidential and parliamentary election results. Thousands of people have taken to the streets to demand electoral justice and are facing violent repression from the police and military.¹² On 7 November 2024, violence and repression of peaceful demonstrators resulted in at least 30 deaths, 200 injuries, and 300 arrests, according to the UN OHCHR.¹³ This state violence is not something new, but something that has been evident in the country for years, with death squads murdering civil society leaders, academics, journalists, activists and violently repressing young people who protest.¹⁴

In the Cabo Delgado region, an armed conflict has been ongoing since 2017, due to the increasing presence of armed groups, especially in the districts where most of the gas related

⁹ The IPCC, the International Renewable Energy Agency (IRENA), the International Energy Agency (IEA), the International Institute for Sustainable Development (IISD). See the web page:

<https://www.iisd.org/publications/report/navigating-energy-transitions>

¹⁰https://www.recommon.org/en/actionaid-and-recommon-unicredit-is-not-funding-enis-coral-north-flng-project-in-mozambique/?_gl=1*1c4fqxv*_ga*NTQ4NzY5NDc5LjE3MzE5Njc1MDA.*_up*MQ.*_ga_GWSD0FIK5L*MTczMTk2NzUwMC4xLjAuMTczMTk2NzUwMC4wLjAuMA

¹¹<https://www.reuters.com/world/africa/gunmen-kill-two-mozambique-opposition-figures-ahead-election-protests-2024-10-19/>

¹²<https://www.bloomberg.com/news/articles/2024-10-21/mozambique-police-use-teargas-to-disperse-protesters-in-capital>

¹³<https://www.ohchr.org/en/press-releases/2024/11/mozambique-post-election-violence-and-repression-must-stop-say-un-experts>

¹⁴<https://www.amnesty.org/en/location/africa/southern-africa/mozambique/report-mozambique/>

projects activities are located. This has led TotalEnergies to invoke a state of *force majeure* for the Mozambique LNG project, following the brutal assault on Palma by insurgents in 2021. An independent investigation published in Politico last September revealed information about an alleged massacre of civilians, reported to have been committed near TotalEnergies' premises in mid 2021 by Mozambican public security forces.¹⁵ The investigation draws attention to the relationship between the French oil and gas company and the military forces accused of severe crimes that might be considered war crimes.

Considering the current political context, the negative effects that Coral North is expected to produce on the Mozambican population's livelihoods, and the potentially irreversible damages on marine biodiversity in the Rovuma basin, we advise [FI name] to seriously consider the risks associated with the project. We strongly urge [FI name] to:

- publicly commit to not finance Coral North FLNG;
- commit to rule out direct finance for any other gas project in Mozambique;
- align the bank's financing with an ambitious pathway to keep global warming below 1.5° C, which means the exclusion of support to any company who is involved in new oil and gas development projects.

We would very much appreciate a response in relation to the bank's decision on the project by Friday 6 December. We will incorporate the bank's response in our future communications on the potential financiers of the Coral North FLNG project.

Please do not hesitate to get in touch with us if you have any questions or would like to discuss the issue further.

Sincerely,

Friends of the Earth France;
Friends of the Earth US;
Friends of the Earth Japan;
Milieu Defensie;
Solutions for Our Climate;
Justiça Ambiental! / Friends of the Earth Mozambique;
Reclaim Finance;
BankTrack;
Urgewald;
ReCommon;
Oil Change International.

¹⁵<https://www.politico.eu/article/totalenergies-mozambique-patrick-pouyanne-atrocites-afungi-palma-cabo-delgado-al-shabab-isis/>