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Cape Town

**IDC RESPONSE TO THE REPORT: “SOUTH AFRICAN PUBLIC FINANCING ON THE
MOZAMBIQUE LIQUID NATURAL GAS PROJECT”**

Thank you for your draft report titled “South African Public Financing of the Mozambique”. Although we note the draft report's content and specifically the assumptions and or commentary applicable to the IDC in the report, we will reserve our right to respond in detail to the assumptions and commentary contained therein.

Notwithstanding the above, the IDC always welcomes the opportunity to engage proactively and productively with all stakeholders. As such, and as previously conveyed to you, we want to use the opportunity to restate the IDC’s general approach to responsible practices as outlined in its Positions on Fossil Fuels (in this case, IDC’s Natural Gas Position), the Responsible Investment Policy and its supporting Environmental and Social Policy.

As a development finance institution with a mandate for sustainable industrial development, the IDC is acutely aware of Mozambique’s developmental challenges including energy access, climate risk vulnerabilities and all related environmental challenges. As such the IDC has carefully weighed all benefits and consequences posed by the exploitation of natural gas as a transition fuel in the context of climate change as defined by Mozambique, energy security and overall sustainable development.

IDC's position on Natural Gas

IDC recognises natural gas as a valuable transition fuel towards achieving a zero net carbon future. It is also a vital source of chemical feedstock and provides economic opportunities along the natural gas value chain. However, IDC is also cognizant of the potential risks associated with investing in natural gas, particularly the environmental impact, funding, and the possibility of getting locked into a particular technology or approach.

To ensure a structured and well-informed approach to investment in natural gas, IDC considers the following factors:

- Development impacts, including energy security, employment, industrialization, and economic multipliers.
- Alignment with nationally determined contributions (NDC) pathways or low-cost alternatives in the absence of such a pathway.
- Project-specific factors that prioritize the use of low-emission technologies and strategies that prevent carbon lock-in.
- Net-zero transition risks, including changes in policy, technology, market, commercial, and reputational risks.

IDC's Responsible Investment and Environmental and Social Policies

In addition to the IDC's specific position on Natural Gas, the IDC has a Responsible Investment Policy which outlines the IDC's Responsible Investment and Funding Principles including how they will be integrated to drive effective responsible and ethical interventions across the IDC decision-making processes as per the IDC's mandate. It further outlines how it will engage in all fossil fuel-based transactions, supported by an Exclusion and Restricted List. *Please refer to IDC's Responsible Investment Policy (Attached)*

IDC also has a specific Environmental and Social (E&S) Policy (currently being enhanced and under review) in place that seeks to avoid the potential negative environmental and

social impacts associated with its financing activities by implementing an Environment and Social Management System (ESMS), currently being enhanced and under review.

The E&S Policy is designed to ensure that IDC's lending activities comply with established environmental and social standards that enhance the corporation's credit risk management process to improve the quality of the corporation's portfolio and promote the financing of business activities that promote a circular economy and social and environmental sustainability. The credit risk management process is further being enhanced through a dedicated risk approach which focuses on conducting Environmental and Social Risk Assessment for screening, assessment, categorisation, and reporting of Environmental and Social issues associated with IDC's potential and actual investments.

The IDC ESMS further articulates IDC's approach to implementing an effective, systematic, and structured means of identifying and managing environmental and social risks and opportunities throughout all its investment and funding activities.

Conclusion

It is in this context that the Mozambique Liquid Natural Gas Project has been assessed. The IDC is willing to engage on the above and their application.

As communicated in previous engagements, the IDC remains open to future bona fide engagements with 350Africa.org on the issues raised in the report.



David Jarvis

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