

18/12/2023

Mozambique LNG: Clarification from the Mozambique LNG project on the draft “South African Public Financing of the Mozambique Liquid Natural Gas Project’s” report by 350Africa, on behalf of the Fair Finance Coalition of Southern Africa.

Paris, December 15, 2023 – Following the communication from 350Africa.org regarding the publication of a report related to the Mozambique LNG Project, which calls for a reassessment of investment decision by the South African DFI with the argument that the Mozambique LNG project is entirely inconsistent with the DFI’s approach and respect for socioeconomic and environmental rights of the people of Mozambique, the continent and the world, the Mozambique LNG would like to firmly refute the findings of the report and respective recommendations and to provide fact based information regarding the project in order to correct this information so that a constructive and transparent dialogue, based on verified and objective facts, can be established with its stakeholders, including Fair Finance Coalition of Southern Africa.

1. *With regards to the accusations of human rights violations*

Firstly, it is important to remember that the inception of the conflict in the province of Cabo Delgado (northern Mozambique) precedes the gas development projects and is rooted in a number of factors that are not linked to the Mozambique LNG project. This is also clearly exposed in the independent report “Report on the socio-economic, humanitarian and human rights situation” produced at the beginning of the year by Dr Jean-Christophe Rufin and published in May 2023 on the Mozambique LNG website with the action plan defined by the partners of the Mozambique LNG project.

It is false to state that Mozambique LNG underestimated the humanitarian and security risk in the region, to indicate that there was no evacuation plan in place, that access to the site remained closed to refugees from Palma, and that no aid was provided to contracted workers and civilians threatened by the attacks.

Concerning the Human Rights Due Diligence (or HRDD), it is important to remind that it was carried out in 2020 by LKL Consulting, an internationally renowned Canadian firm in the sector. This assessment was then updated by LKL Consulting in 2023, and it was complemented by the “Report on the socio-economic, humanitarian and human rights situation” by Dr Jean-Christophe Rufin from May 2023.

Furthermore, as of 2019, Mozambique LNG had implemented security assessments in accordance with its internal procedures, with regular weekly and monthly reports and the implementation of crisis units on site in Afungi and Maputo during the tragic events in Palma in March 2021.

During the Palma attack in March 2021, due to the emergency and the immediate risk for people, Mozambique LNG implemented extensive emergency measures through the implementation of security procedures that included a pre-established evacuation plan. The evacuation plan concerned all staff working on the Afungi site, including staff of Mozambique

LNG contractors and their subcontractors. It also granted protection to the most vulnerable civilians.

It is important to outline that, following the increase of the terrorist threat, the number of staff of Mozambique LNG, its contractors and their subcontractors had been significantly reduced by early 2021 based on regular security assessments carried out by Mozambique LNG. The staff of Mozambique LNG, the contractors and their subcontractors remaining on the site, were housed in the Afungi site in accordance with the security plan and they were instructed, for security reasons, to remain inside the site whatever the circumstances.

According to the information available to Mozambique LNG, these instructions were transmitted by Mozambique LNG's contractors to their employees and their subcontractors and no contractor informed Mozambique LNG of the presence of employees outside the Afungi site.

Mozambique LNG initiated, coordinated and/or supported several evacuations of people fleeing the war zone and securing and directing them towards the Afungi site. Those were unprecedented initiatives in their agility and in the mobilization of resources made by Mozambique LNG, although operated by a private company (distribution of water and food to civilians who took refuge at the gates of the Afungi site, mobilization of medical staff from the Mozambique LNG, provision of the site hospital). These emergency actions enabled Mozambique LNG to evacuate more than 2,500 people, the majority of whom were civilians fleeing the war zone, by sea and air, with the mobilization of a ferry for these operations.

In regard to the presence of the Mozambican armed forces in the Afungi peninsula, a “memorandum of understanding” signed in 2019 between Mozambique LNG and the Mozambique Ministries of Defense and Interior, provided for a collaborative task force established by these two Ministries (Joint Task Force) ensuring the protection of the Mozambique LNG project activities at the Afungi site and throughout the project’s area of operations.

The Joint Task Force (JTF) complemented the public security personnel (700 soldiers and police officers) responsible for the protection of the city of Palma. It is not true to say that the sole mission of the JTF was to secure the Afungi site. In fact, the JTF was spread out over an extensive area of up to 20 km around the site, as part of its mission to support the population and to protect the site. Following the tragic events in Palma in March 2021, the Joint Task Force contributed to the protection of approximately 15,000 to 20,000 refugees in the new village of Quitunda, a village which has never been attacked by terrorists, and in the Afungi peninsula.

During the Palma attack, Mozambique LNG opened its facilities to different organizations (e.g. Médecins sans Frontières, World Food Program) to provide emergency aid, medical care and to ensure the evacuation of the most vulnerable. After the attack on Palma and the evacuation of as many staff as possible, the site was placed under the protection of the authorities. Nevertheless, as soon as the situation allowed, Mozambique LNG, through civil society partners, continued its support as soon as May 2021 by providing food aid to refugee families around its site, and it subsequently extended its support well beyond the Afungi Peninsula.

Concerning the number of victims, to our knowledge there is no official census of the number of deaths and missing persons among the civilian population during the attack that took place in the city of Palma, a neighboring city of the project located on the Afungi site. It is true, however, that this terrorist attack caused numerous victims and led part of the civilian population to flee.

The Force Majeure did not lead to the cessation of operations in support of the local economic development and the relocation and compensation process. The project's teams have strived to maintain a daily engagement with the Afungi community, to support and respond to possible grievances and to continue the dialogue, within the context of a dramatic and exceptional situation.

A multitude of actions were carried out in parallel, within the "Pamoja Tunaweza" initiative ("Together we can" in Kiswahili), while the project was suspended. For example: over 6,000 jobs have been created since 2021 to help social cohesion and contribute to rebuilding the lives of impacted populations. In 2022 and in 2023, more than \$20million were dedicated to more than 40 socio-economic development programs (in the fields of education, biodiversity, health, fishing, agriculture, access to electricity, etc.) to generate income and diversify the local economy, protect the environment and promote human rights. More than 5,000 farmers have already benefited from support of agricultural programs and since 2022, 894 young people have benefited from certified professional training.

These programs were audited by Dr Jean-Christophe Rufin as part of the mission entrusted to him in December 2022. It appears from Rufin's report that the humanitarian operations and socio-economic development programs undertaken by the Mozambique LNG around the Afungi site since 2021 have improved the humanitarian situation in the north of Cabo Delgado, in particular with the return to Palma of populations displaced by the conflict and, to a lesser extent, to Mocimboa Da Praia. The report highlights the quality of the execution of the actions undertaken by Mozambique LNG and their positive impact on the living conditions of local populations.

Likewise, the team in charge of the relocation plan continued, as much as possible within the given security context, to implement this plan while striving to maintain a daily engagement with the Afungi community. The stipulated compensation was paid according to the relocation procedure. At the time of the declaration of Force Majeure, out of a total of 612 families settled within the perimeter dedicated to the industrial activity of Mozambique LNG, mostly in the village of Quitupo, 404 families had been relocated to permanent houses built in the new village of Quitunda. At the end of August 2023, the remaining 208 families were relocated to Quitunda and were fully compensated in accordance with the relocation plan. Following the recommendation of Jean-Christophe Rufin's report not to relocate families located on the project site but outside the fenced industrial perimeter (45 families located in the community of Patacua), these families will be able to stay on their land of origin if they decide so. Furthermore, in terms of compensation, it should be noted that the project systematically offered a new inventory of their assets to families whose inventory of assets had been carried out before the Force Majeure, prior to signing their compensation agreement.

2. A region that will always be dangerous and unstable

As a reminder, given the evolution of the security situation in the north of the Cabo Delgado province, the Mozambique LNG project declared Force Majeure in April 2021. Restoring security in the region is the responsibility of the government of Mozambique, it is the prerogative of a sovereign state.

Thanks to the efforts undertaken by the State of Mozambique, with the support of the countries of the Southern African Development Community and Rwanda, the security situation has

significantly improved in the province of Cabo Delgado since 2021 and terrorist activities are in clear decline.

Since mid-2022, the access road between Pemba and Palma has been gradually reopened, allowing continuous supply to the Palma and Mocimboa da Praia markets by road. A significant part of the populations who had fled the terrorist attacks returned to their original districts of Mocimboa da Praia and Palma and the towns of Palma and Mocimboa da Praia, which had been deserted, and the population has recovered back to a level equivalent to that of 2020. Economic activity has resumed, and a significant portion of public services have been restored in Palma and Mocimboa da Praia.

Mozambique LNG continuously monitors the security situation, particularly with the help of internal and external experts. Several audits were carried out, which confirmed the significant improvement of the security situation in the Cabo Delgado region.

As previously outlined, a memorandum of understanding was signed in 2019 between Mozambique LNG and the Mozambican Ministries of Defense and Interior to ensure the protection of the Mozambique LNG project activities on the Afungi site as well as in the entire area of the project's operations. With the Rufin's report recommendation for a revision of the framework of relations between Mozambique LNG and the Mozambican defense forces, Mozambique LNG initiated a dialogue with the Mozambican authorities to this end, which led to the termination of the memorandum of understanding in October 2023.

As a sovereign state, the Government of Mozambique has confirmed its commitment to the maintenance of adequate police and military presence to protect the Mozambique LNG project and the Mozambican populations. The Government of Mozambique is committed to ensuring that the protection measures taken by these forces respect Human Rights and are consistent with the Guiding Principles on Business and Human Rights, the VPSHR and the Voluntary Principles on Security and human rights.

Furthermore, it should be noted that a new protocol was signed at the end of October 2023 between the operators of Area 1 and Area 4 and the government of Mozambique, through the Ministries of Mines and Energy, and Economy and Finance, which aims to contribute to the restoration of public services in Cabo Delgado, particularly in terms of security.

TEPMA 1., as a responsible operator, is committed to the promotion of human rights in all its activities, to the respect of national laws and internationally recognized human rights standards, including the Universal Declaration of Human Rights, the principles set out in the fundamental conventions of the International Labor Organization and the Voluntary Principles on Security and Human Rights. As part of the implementation of the Voluntary Principles on Security and Human Rights (VPSHR), a number of actions are being implemented by Mozambique LNG, including the training of security forces, close engagement with judicial institutions and the engagement with civil society organizations (CSOs) and government entities to follow up on human rights cases. For example, Mozambique LNG has implemented VPSHR awareness training for over 5,500 Mozambique law enforcement staff posted to the region. The commitments in terms of VPSHR for the security forces remain unchanged and the project will continue to provide training to the armed forces concerned and to operate the grievances mechanism system for the benefit communities, a system which has proven its effectiveness in terms of use by populations and the processing of grievances received. Finally, regular engagement is in place to share, discuss and provide information to civil society organizations, as well as to review areas

for cooperation and improvement on development issues in general, including human rights issues.

It is acknowledged that the development and economic stability of a region promote the return to security and the resolution of conflicts. As mentioned above (item 1), Mozambique LNG, through the “Pamoja Tunaweza” initiative, actively participated in the stabilization and reconstruction of the lives of populations impacted by the attacks.

3. A project that wouldn't benefit Mozambique nor the local communities

The Mozambique LNG project will generate tax revenues for the State of Mozambique, in accordance with the provisions of Mozambican tax law and the Area 1 concession contract. This contract is published on the website of the Mozambican regulator: www.inp.gov.mz/pt/Politiclas-RegimeLegal/Contratos-de-Pesquisa-Producao-de-Hidrocarbonetos/Area-1-Bacia-do-Rovuma. Mozambique LNG has no legitimacy to control the use of its tax revenues by the State of Mozambique, which is a sovereign State.

TotalEnergies, whose subsidiary TEPMA 1, incorporated in Mozambique, is the operator of Mozambique LNG, has been a member of the Extractive Industry Transparency Initiative (EITI) since its creation, in 2002. Likewise, the State of Mozambique is a member of the EITI since 2009 (<https://eiti.org/mozambique>). It is therefore natural that TotalEnergies supports the application of the EITI principles and takes part in the Multi – Stakeholder Group in Mozambique. Furthermore, TotalEnergies will publish the payments made to the State of Mozambique under the Project as part of its annual report on payments made to governments, in accordance with applicable European and French regulations.

Beyond the tax revenues for the State of Mozambique, the Mozambique LNG project is committed to providing volumes of gas for local use (100 mmscfd initially, which can subsequently increase to 400 mm scfd). This commitment will allow Mozambique to develop local energy and industrial projects, with the Mozambique LNG project making another contribution to the country's development.

We strongly refute the accusations of tax avoidance made in this report.

The Mozambican government has full knowledge of the companies that have been set up outside Mozambique to finance the project and sell LNG and has approved their formation. The purpose of the Abu Dhabi-based finance company was to pool external financing from foreign banks. It complies with all the substance requirements necessary to perform its activities. Given the amount of the financing and the number of lenders, from multiple origins, it was necessary to incorporate the finance company in a country that offered an appropriate legal framework and that was accepted by the various financial institutions, which is the case of the United Arab Emirates. This is standard practice in the case of large project financings.

Regarding the benefits of the project for local populations, it is important to outline that through the actions carried out within the framework of the “Pamoja Tunaweza” socio-economic development initiative, the population of Cabo Delgado is already enjoying the benefits of the Mozambique LNG project: for the record, more than 20 million US\$ have been dedicated to these actions over each of the years 2022 and 2023 (i.e. more than 40 million US\$ over two years). Following the recommendations of the Rufin report, the partners decided to create a Foundation with a multi-year budget of US\$200 million, entirely dedicated to the socio-economic development of Cabo Delgado and its populations.

The structure of the Mozambique LNG project provides that the national company ENH holds 15% of the project as a project partner. ENH does not participate in financing its share of the investments, the latter being financed by the other partners. This financing will only be reimbursed after the commissioning of the plant and the generation of revenues through LNG sales.

In terms of local content, in compliance with current regulations, the Project has submitted a local content plan and reports monthly on its implementation by the operator and its contractors. It is also estimated that if the Force Majeure is lifted, during the construction phase, around 5,000 jobs will be created for Mozambicans at the peak of construction.

4. A project that could be a threat for local ecosystems and global climate

Natural gas, particularly in the form of LNG, is expected to play a key role in the energy transition, because it can replace the use of coal, particularly for the production of electricity while generating two times less emissions of CO₂. From this point of view, the Mozambique LNG project is well positioned to supply LNG to Asian countries such as Japan, China and India, which today represent significant consumers of coal, and thus to contribute to the energy transition of these countries.

Furthermore, the greenhouse gas emissions of the Mozambique LNG project are lower than the average emissions of comparable LNG projects, in particular due to the "subsea to shore" architecture adopted, and the low native CO₂ content of the gas produced. Since 2019 and the entry of TotalEnergies into the project, Mozambique LNG has continued its efforts on finding ways to further improve energy efficiency and reduce the carbon footprint of the project by selecting turbines for CO₂ low-emission electricity generation and by providing heat recovery units from these same turbines.

Concerning biodiversity and the environment, the Mozambique LNG project conducts its activities, both onshore and offshore, in accordance with local regulations and adheres to international standards, in particular the requirements of IFC Performance Standard 6. More specifically, in line with the widely accepted mitigation hierarchy, Mozambique LNG's approach prioritizes the following: avoid, reduce, compensate, restore, assuring that no net loss will be recorded to natural habitats and a net gain will be proven for all critical habitats.

Contrary to what is indicated in the NGO letter, the project construction area is not located in the Quirimbas Natural Park. The site was specifically chosen to avoid this area, as indicated in the [Environmental Impact Assessment | TotalEnergies-led Mozambique LNG Project](#).

A comprehensive biodiversity action plan has been developed, detailing actions for the duration of the project. For example, to support efforts in the restoration and conservation of biodiversity, a memorandum of understanding was signed in 2022 for the implementation of a project to restore 800 m² of coral reefs in Pemba Bay and a sustainable fishing project; another memorandum of understanding was also signed for the restoration of more than 5,000 hectares of degraded mangrove areas in Palma (1,200 hectares have already been restored) and the installation of three fruit tree nurseries with more than 200,000 trees).

Maxime Rabilloud
TEPMA1 Managing Director
& Country Chair