



MOZAMBIQUE

Security, Political and Geopolitical Challenges of the Gas Boom

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Executive Summary

- The vast gas discoveries in Mozambique, some 160 trillion cubic feet (4,530 billion cubic meters), will make this very poor country (6th lowest gross national income (GNI) per capita – the lowest in Africa) one of the world's future major producers of liquefied natural gas (LNG) within two decades.
- Theoretically, Western and Asian majors are ready to invest more than a hundred billion dollars (\$bn) over the next two decades to develop this gas potential that could amount to a volume of 60 million tonnes (mt) per year.
- However, security threats related to the deadly activities of the Islamist group, Al Shebab, in the area of where the gas projects are being developed are of increasing concern for the majors, who are struggling to influence the Mozambican government's up to now failing security strategy. The regular army's lack of results encourages the ever-increasing use of mercenaries that is likely to further destabilize a volatile region, prone to arms and drug-trafficking, close to the Tanzanian border. The terrorist group's modus operandi and the government's response reflect Boko Haram's rise in Nigeria from 2010.
- Future gas rents from Mozambique's gas production are already significantly strengthening the position of the ruling party, Frelimo, and making it more impervious to criticism from traditional donors and foreign powers. Its management of the last elections and of the hidden debt scandal show how the Mozambican government sees itself as practically untouchable. It is highly likely that the advent of the gas windfall will increase Frelimo's hold over the country's administration and weaken the counterbalances. Frelimo is inclined to harden its position as it feels protected by its gas resources.
- ExxonMobil's doubts about investing, the worsening security situation and the hydrocarbon crisis do not seem to challenge Frelimo's dominance for the time being. Finally, there is a slight chance that the party will change its practices and adopt more transparent governance, accepting more influence from traditional donors – the African Development Bank, World Bank and European Union (EU). While the donors' impact was very relative to decision-making processes when Mozambique had not discovered gas, it is unlikely with such projects

announced by the majors that Frelimo will open the door further to any outside scrutiny.

- Frelimo's lack of a development plan and political commitment to maximize the benefits of gas in terms of employment, local content, economic diversification and industrialization raises concerns in the medium term of escalating social tensions and a possible failure of economic diversification and emergence.
- The main impact of the COVID-19 crisis in Mozambique will be to postpone previously signed projects (Total and ENI) by a few months. In the middle of the hydrocarbon crisis, Total still managed to complete the financing of its project in May 2020 by raising nearly \$ 15 billion (\$bn) from banks, or three-quarters of the total required for the first two LNG trains. However, ExxonMobil has postponed the final investment decision of its two LNG trains for security and economic reasons and is also using the COVID-19 crisis as an excuse.
- The country's gas Eldorado has attracted all the major Western and Asiatic powers via state-owned or private majors. Italy, which has been closely involved politically in Mozambique for nearly 30 years, has however seen its company, ENI, gradually give way to the US major, ExxonMobil. All companies in the prospective LNG-purchasing countries have also bought stakes in the blocks where discoveries are being made. This is particularly true for India, which has better relations with Mozambique under President Filipe Nyusi, a former pupil of a Gujarat business school.
- China is present via CNPC along with ExxonMobil on Block 4 and has not escaped the context of Sino-American rivalry. The Trump administration has prevented the release of bank loans and guarantees for this project, ultimately fearing that this would benefit Chinese state-owned companies. However, Total will benefit from nearly \$ 5 bn in US financing due to the involvement of American contractors.
- Due to a political relationship with Frelimo dating back to the time of the USSR and the war for independence against Portugal, Russia plays a significant military role in the future gas infrastructure area in Cabo Delgado, even though its hydrocarbon involvement in the country remains limited. Meanwhile South Africa, which is also involved in security in Cabo Delgado, is decreasing its involvement in oil via Sasol with the sale of part of its assets. The relationship between Mozambique and South Africa, which was once critical, is expected to gradually evolve with the massive influx of capital from Western and Asian countries involved in the gas projects.

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Introduction

With the largest exploitable gas reserves in Africa with nearly 160 trillion cubic feet¹ (4, 530 billion cubic meters), Mozambique may become one of the world's largest LNG exporters in future decades. In June 2019, to the Mozambican government's great satisfaction, the independent Anadarko—purchased by Occidental in 2019 which then sold its African assets on to Total, including those in Mozambique—made its final investment decision to build two liquefaction trains with a capacity of 12.9 mt per year to start production in 2025. Despite the COVID-19-related hydrocarbon crisis, financing was completed in July 2020 for a total of \$ 14.9 bn. This key stage followed an initial development begun in late 2017 by ENI of a 3.4 mt Floating Liquefied Natural Gas (FLNG) facility, which is still scheduled to be operational in 2023, that however could probably be postponed due to the effects of the COVID-19 epidemic.

However, these two decisions made in a period of excitement, are part of a political and security (radical Islamism), and ultimately geopolitical, context that has been deteriorating significantly for over two years in the country. The president, Filipe Nyusi, who was re-elected in late 2019 in very challenging conditions, as we shall see, is behaving as if the vast hydrocarbon resources allowed him to ignore all external pressure. Indeed, traditional donors (International Monetary Fund [IMF], World Bank) and Western powers in the country (the EU, Norway, the United States [US]) are gradually losing ground faced with the resurgence of China and Russia, which are the other historical partners of the ruling party, Frelimo (founded in 1962) and in power since Mozambique's independence in 1975. China and Russia are much less demanding regarding governance of gas development, respect for human rights and the behavior of the army and intelligence services, that they fully support.

Mozambique's security situation has become so serious that it is now difficult to predict when ExxonMobil's 15.2 mt project with two liquefaction trains will eventually be launched. The COVID-19 crisis has certainly not helped the schedule, but all the components for a *sine die* postponement were already well in place in late August 2019. If Mozambique stops, at least initially, at these two developments which have

1. Volume obtained by adding Anadarko's figures (75 tcf) available at: www.anadarko.com, and ENI's (85 tcf), available at : www.eni.com.

already been approved, it will only be at half of Nigerian LNG output. However, uncertainty remains about this huge ExxonMobil project (\$ 23 bn) that should only be a step prior to making further investment that could exceed \$ 100 bn to achieve the target of producing up to 60 mt of gas per year.

This study aims to approach gas issues in Mozambique at two levels. The first will be domestic, unpicking the government's political issues in Maputo and security ones in the future Cabo Delgado gas zone in the far north of the country. This section will also show how governance in this sector is struggling with questionable choices, particularly regarding local content, that has a direct impact on security and economic issues. This national situation is also enabled by the fact that the government is behaving as if it were all-powerful, which is a feeling that has been greatly increased by the discovery of these vast gas deposits.

The second level of analysis will seek to explain intervention by foreign powers via the hydrocarbon sector they are involved in through their energy companies: both the large Western majors such as Total (France), ExxonMobil (United States), ENI (Italy), Galp (Portugal), as well as the Asian giants CNPC (China), Bharat and Oil India (India), Mitsui (Japan), Kogas (South Korea), PTTEP (Thailand) and Rosneft (Russia) have projects in the country. For these states, it is a question of ensuring these investments will be well protected at different levels and of developing special relationships with the government. The result is a certain complacency on their part towards Frelimo, which in turn is bolstered in its strategy of hegemony in a country where the democratic space is rapidly shrinking. Finally, the study will demonstrate that structured international rivalries, such as the rivalry between China and the US, also have a direct impact on some gas projects in the country.

Political and security issues for gas projects

Projects worth more than \$100 billion in potential investments

The South African Standard Bank, one of the most involved in research on Mozambican gas and one of Anadarko's consultants – Block 1 is now under the management of its operator Total – published a particularly comprehensive report in March 2019 on the project's potential.² It is estimated that Mozambique's GNI could grow by \$ 15.4 bn annually (or double today's of about \$ 15 bn). The two Total and ENI/ExxonMobil projects alone will be capable of generating between 4 to 5% economic growth each year when they come into operation. The production site at Afungi in the Cabo Delgado province will require an investment of \$ 52 – 57 bn, making it the most expensive single-site project in the world, apart from space projects and the Gorgon LNG facility in Australia (\$ 54 bn). Standard Bank forecasts more than \$ 128 bn in total investment in the province and the bank emphasizes that there is only other example of concentrated development in a single province: Guangdong in China.

Table 1: Projects in Development

Gas Permits	Operators	Approved Investments	Approved Production	First Gas
Block 1	Formerly Anadarko and Total since 2019	Two trains of \$ 23 bn	12.9 mt/yr.	2024-2025
Block 4	Partnership between ENI and ExxonMobil	<i>A floating liquefied natural gas facility (FLNG) for \$ 4.7 bn</i>	3.4 mt/yr.	2022-2023

Source: Total, ExxonMobil.

Standard Bank ventures to provide figures on job creation: some 700,000 direct and indirect jobs by 2035 in a country of 30 million inhabitants (which will depend on the scope of local content and the technical solutions adopted). From 2013 to 2035, Standard Bank forecasts that gross domestic product (GDP) per capita in Mozambique could increase eightfold, reaching \$ 4,500 per capita, or the current level of

2. Standard Bank, 'Rovuma LNG Project: Macroeconomic Study', March 19, 2019.

Azerbaijan or Albania, whereas currently the country is three times poorer than the African average.

These figures partly explain Frelimo's feeling of dominance, as it thinks it can afford to pledge its future revenue to banks. By mid-2020, the consequences of this headlong rush were serious. External debt reached \$ 14.7 bn or 113% of GDP, although this percentage was barely 54% in 2013.³ It could amount to 130% in 2022 according to pre-COVID-19 estimates. Growth has significantly decreased in recent years, from an average of 6.7% in 2015 to 3.7% between 2016 and 2018, and this percentage only reached 1.9% in 2019, mainly as a result of Cyclone Idai and Hurricane Kenneth, which devastated southern and central Mozambique, killing more than 1,000 people. In 2020, economic growth was forecast by the African Development Bank (AfDB) to be 5.8%, but COVID-19 has significantly changed this forecast.

The first rents from ENI's FLNG will not be seen at best before 2026-2027 – the facility is not expected to be able to produce prior to 2023 or even 2024. Furthermore, in the early years, the proceeds from the sale of gas will mainly be used to repay investments already made by the operators. It will, therefore, take several years before the macroeconomic indicators improve significantly.

Economic headlong rush by an all-powerful government

The discovery of substantial mineral or hydrocarbon reserves always has major political consequences for the host states. One of these is bolstering existing governments that may pledge future reserves to immediately obtain funds and/or sell new exploration permits with large signature bonuses. This influx of money can also enable governments to buy social peace by granting certain benefits to the population – e.g. subsidies on staple goods – or to purchase weapons and increase intelligence capabilities to control the population and prevent possible coups d'état. This was true for Idriss Déby in Chad, who has been able to counter repeated power grabs from neighboring Sudan with money from the Doba oil produced by ExxonMobil and Petronas since 2003.⁴ In 2009, the military budget corresponded to 6.2% of GNI or some \$ 242 million.

3. 'Factbox: Mozambique Debt Crisis – What Does the Country Owe, and to Whom?', Reuters, September 9, 2019.

4. According to figures from the Stockholm International Peace Research Institute (SIPRI), which specializes in defense issues, Chad's military/defense budget increased from \$ 34 million in 2002 – or before the advent of the oil – to \$ 50 million in 2004, \$ 223 million in 2006 and \$ 738

In the case of Mozambique, it seems that offshore discoveries off Cabo Delgado province from 2010 have helped to strengthen Frelimo's control and impunity. This party-state has been in power since independence in 1975. Although this trend of quasi-impunity was not necessarily evident during the early years of Armando Guebuza's presidency (2005-2015), it was widely demonstrated a few years later during the hidden debt scandal, which was uncovered long after President Armando Guebuza left office and caused concern among the country's donors.⁵ In April 2016, the *Wall Street Journal* published an article about the scandal that immediately resulted in the shutdown of all IMF projects in the country.⁶ However, the new president, Filipe Nyusi, a member of Frelimo's politburo (the party's highest body) like his predecessor, has been far from diligent in investigating this matter. And for good reason: he was the Minister of Defense from 2008 to 2015. Furthermore, the Minister of Defense who nominated him when he came to power in 2015, Salvador Mtumuke, had been Inspector General of this same ministry since the mid-1990s.⁷

This episode demonstrates how the members of Frelimo support each other, particularly those appointed to its highest body, the politburo, where Filipe Nyusi mixed with Armando Guebuza for many years. The Mozambican parliamentary commission of inquiry, established in 2016, has also failed to show strong commitment in identifying the government officials involved in this corruption scandal. And for good reason, only one member of the opposition was on this commission of inquiry. However, Armando Guebuza did not choose Filipe Nyusi, and they are neither from the same region nor the same faction within the party. But within Frelimo, it is natural to protect each other, as is often the case in organizations which came to power by arms – the war of independence from 1964 to 1975 and then the civil war up to 2002. The business intelligence consultancy, Kroll, issued a report commissioned by the IMF in May 2017 to investigate the system of hidden debts. Mozambique continued its wait-and-see strategy and the investigations instigated by the public prosecutor in January 2018 were for the most part unsuccessful. As the Mozambican judiciary did not move quickly enough, the investigations abroad were

million in 2009 (i.e. the worst years when it comes to security for the president regime). Rising production and prices on the international market have encouraged increased military spending, available at: www.sipri.org.

5. The donors, brought together around the G14, such as the EU, the African Development Bank, World Bank, Canada and 10 European countries – including France – directly contributed to Mozambique's state budget. In 2016, this direct money transfer accounted for 12% of the total or \$ 467 million.

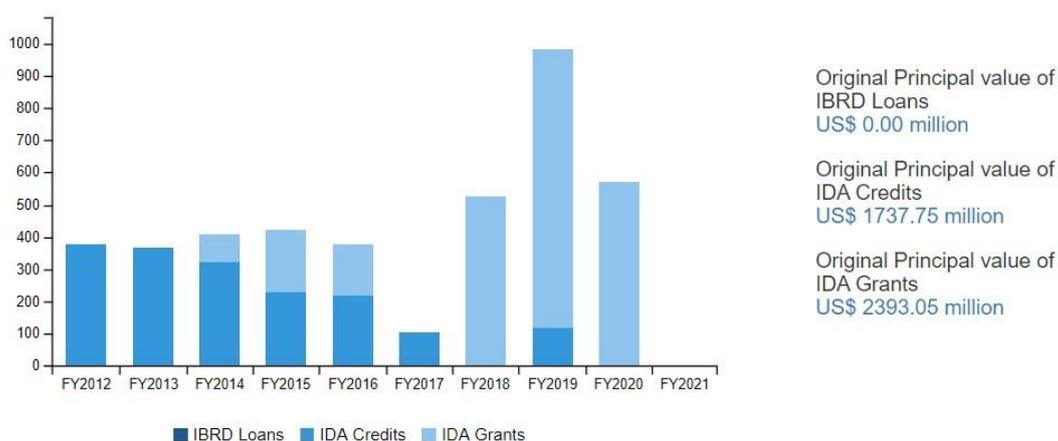
6. 'Tuna and Gunships: How \$850 Million in Bonds Went Bad in Mozambique', *Wall Street Journal*, April 3, 2016.

7. T. Coloma and L. Fauvel, 'La crise financière du Mozambique, un pays modèle remis en cause', *Notes de l'Ifri*, Ifri, July 2017.

successful, particularly into the former Minister of Finance Manuel Cheng. Afterwards the US Department of Justice (DOJ) took over the case on its own initiative and instigated proceedings, since some of the funds had passed through banks in New York. Manuel Cheng was arrested in South Africa in 2019. He could be extradited to the United States but Maputo is strongly acting against this option to keep secrets “in family”.

The gas issue is directly related to these abuses by the ruling party, that feels able to do what it wants by pledging future gas rents as collateral (case of hidden debts in 2013). And it pays off. Indeed, from the donor’s point of view, apart from 2017 where disbursements undeniably decreased, they recovered in 2018, even reaching historical levels in 2019 (to alleviate the effects of Cyclone Idai and Hurricane Kenneth) as shown in Table 1.

Table 1: World Bank Loans and Grants to Mozambique between 2011 and 2020. Amount of loans per fiscal year (commitments, million \$).



Source: World Bank, data from August 31, 2020.

The purpose of the few imprisonments is to give the donors the impression that the party realized it had gone too far. In reality, it is clear that Frelimo wants to drag out the legal process as long as possible. Part of the government’s strategy is to wait until all diplomats in post at the time of the hidden debt revelations in 2016 have left Maputo. The pressure on the Mozambican government will then have largely subsided by the time the new diplomats take up their roles. The new diplomats will be keen to forge good relationships with a state with vast economic opportunities, including those created by the gas sector.

The 2019 elections enshrined Frelimo's dominance

This feeling of Frelimo's dominance was also evident during the October 2019 elections, in which the party and Filipe Nyusi won the first round with 73% of the vote. In 2015, the candidate, Filipe Nyusi, only obtained 46% in the first round and then 68% in the second round. However, this spectacular increase – also noticed in the parliamentary elections where Frelimo won 40 more seats than in 2015 – is far from being a result of the party-state's growing popularity. In 2018, during the local elections in October, Frelimo only obtained 51.7% of the votes with a high turnout⁸ of 60%. Then it decided to respond by doing everything possible to ensure an outright victory in 2019. The gamble paid off. Although the African Union did not criticize the process via the Chairman of the Observation Mission, the former Nigerian president Goodluck Jonathan, the EU raised grave doubts about the election, mainly because of Frelimo's use of state resources for campaigning. Brussels also condemned the widespread intimidation by Frelimo's supporters vis-a-vis the opposition.⁹ Ossufo Momade, Renamo's candidate, who succeeded the former leader, Afonso Dhlakama after his death in 2018, mainly paid the price.¹⁰ The most serious fraud related to Gaza province, where the National Elections Commission (NEC) registered 1.1 million people of voting age, or 82% of the province's total population in the 2017 census. This would suggest that only 18% of the inhabitants of this province are aged under 18 years of age, even though the national average for this this age group is 53%. This pro-Frelimo province consequently gained nine seats in parliament due to the false increase in its population to the detriment of pro-opposition provinces, such as Nampula, Zambezia and Sofala. The Director of the National Statistics Institute, Rosario Fernandes, resigned in August 2019 – under direct pressure from Filipe Nyusi – after he had reiterated the accuracy of the censuses. The figure of 1.1 million registered votes in Gaza is not expected to be reached before 2040.

8. J. Hanlon, 'Mozambique Political Process Bulletin', No. 35, July 4, 2019.

9. 'EU Criticises "Unlevel Playing Field" in Mozambique Election', *Al Jazeera*, October 2019, available at: www.aljazeera.com.

10. See the report on this topic, *Le Mozambique en crises*, from the Ifri conference in Paris on January 23, 2020: N. Weigink (Université d'Utrecht) and M. Cahen (LAM Bordeaux), 'La Renamo comme parti politique armé: une analyse de ses (anciens) combattants et la campagne électorale de 2019', available at: <https://afriquedecryptages.wordpress.com>. See also: E. Morier-Genoud, 'The Jihadi Insurgency in Mozambique: Origins, Nature and Beginning', *Journal of Eastern African Studies*, 2020.

This political climate was made possible by the same feeling of dominance that the future gas rents gave Frelimo. Frelimo said that it would be during the 2020-2025 term that the first projects would begin production and during the 2019 elections that it was necessary to ensure full powers by any means.

Security threats and ExxonMobil's delays

The Frelimo machine, controlling the state apparatus, gradually won due to a degree of nervousness about gas development. The main reason is the ever-increasing phenomenon of radical Islamism in the Cabo Delgado gas province near the border with Tanzania. Although the first attacks started in 2017, they have taken on an unprecedented dimension since 2019.¹¹ The group, already active in religious proselytizing since 2015, presenting itself under the name Al-Shebab as in Somalia, or sometimes under the name Ansar Al-Sunna, first struck state institutions in the city of Mocimboa da Praia – 100 kilometers from the gas installations – on October 5, 2017. A significant number of the group's members have links with Tanzania and sometimes even have Tanzanian passports. Historically, Tanzanian imams have always been present in Cabo Delgado and mainly in Mocimboa da Praia.¹² Some members of this group have also studied the Koran in Somalia. The reasons for Al Shebab's establishment in this region are partly found in the poverty of the population, the lack of public services and opportunities for the youth. Furthermore, the mostly Christian Maconde community – currently in power with Filipe Nyusi – is now marginalizing another of Cabo Delgado's main communities: the Mwani. The latter are mostly Moslem and feel excluded, which promotes radicalization among the Mwani youth. In 2017, a community-based religious group turned into a political military group attacking symbols of the Mozambican state, traditionally secular because of Frelimo's Marxist ideology. On October 5, 2017, three police stations in Mocimboa da Praia were also targeted, killing 17 people. The government, somewhat bewildered, ordered the closure of mosques fairly quickly – even though

11. See the report on this topic, *Le Mozambique en crises*, from the Ifri conference in Paris on January 23, 2020: S. Chichava (Institute of Social and Economic Studies – IESE), 'Est-ce que le Frelimo a créé l'Al Shabaab? Les élections mozambicaines vues de Cabo Delgado'; S. Forquilha (Institute of Social and Economic Studies - IESE) and E. Morier-Genoud (Queen's University, Belfast), 'Deux ans d'insurrection au nord Mozambique. Que sait-on des insurgents, leurs origines et des dynamiques à l'œuvre?'; R. Conrado (LAM Bordeaux), 'L'hypothèse d'un "État fragile" et l'insurrection islamiste au Mozambique: une réflexion à partir de Cabo Delgado', *Afrique Décryptages*, available at: <https://afriquedecryptages.wordpress.com>.

12. S. Habibe, S. Forquilha and J. Pereira, 'Islamic Radicalization in Northern Mozambique: The Case of Mocimboa da Praia', *Cadernos IESE*, No. 17, 2019.

most of the members of the movement did not pray in public mosques.¹³ The Mozambican security forces also conducted raids, like on December 29, 2017, in the village of Mitumbate where 50 people were killed, including some members of the sect. In 2018, retaliations intensified. Not a month has passed without massacres of Mozambican civilians – sometimes beheaded – or state buildings being targeted.

2019 marked a new stage in the worsening of the situation, particularly for the oil companies on the ground (see Map 1, p. 23). An employee of the Gabriel Couto construction company – which has been responsible for the runway in the Afungi LNG zone – was murdered on February 21 on the road to the construction site.¹⁴ It was the first time one of the contractors was directly affected. The increasingly obvious negligence of the Mozambican army and intelligence services resulted in the country signing multiple security contracts with mercenary firms. In February 2018, the country first contacted Erik Prince's Frontier Service Group – the founder of the Blackwater company – and then in September 2019, the Russian mercenary company, Wagner, that quickly achieved some results before four of its members were in turn beheaded on October 27, and the video of these executions was posted online.

The move from attacks on civilians or Mozambican military personnel to the conquest of territory in 2020, like Islamic State was able to do previously in Syria and Iraq, show that the movement is gaining ground. On March 23, 2020, the city of Mocimboa da Praia was occupied for a whole day when food was distributed to the population. Mocimboa de Praia is less than an hour's drive from Afungi.¹⁵ When they left, without fighting on the same evening, the group members demonstrated their superiority over the Mozambican forces. In late March, once again, the city of Quissanga fell. Seeing that it was losing ground, including with Wagner's support, the army received new support from the South African company, Dyck Advisory Group, while also relying on help from the Russian military deployed since September 2019.¹⁶ On April 10, one of Dyck Advisory Group's helicopters was destroyed in flight. On April 27, the group approached Pemba, the capital of Cabo Delgado province, but was stopped by the Mozambican army and Dyck Advisory Group. Al-Shebab continued its occupation strategy, including at strategic transportation sites and

13. *Ibid.*

14. 'Mozambique. Anadarko Partner, Couto, the Latest Victim to Insecurity', *Africa Energy Intelligence*, No. 836, March 12, 2019.

15. 'Mozambique. Total and ExxonMobil Sound Warning Bell over Security Time Bomb', *Africa Intelligence*, March 31, 2020.

16. 'Mozambique/Russia. Moscow Muscles in as Protector of Oil Firms in Cabo Delgado', *Africa Intelligence*, March 9, 2020.

crossroads. This was particularly true on the N380, the only way to connect Pemba – the province’s largest airport – to the city of Palma, which is near the Afungi gas peninsula. Since February 2020, the runway at Afungi has been completed by the Portuguese company Gabriel Couto¹⁷ and light aircraft from Pemba can finally land, avoiding the N380, which has been almost impassable for several months.

Geopolitically, the bad relationship between Presidents Filipe Nyusi and his Tanzanian counterpart, John Magufuli, makes the security situation even more complex. A significant portion of the sect’s members come from Tanzania or have been to Tanzania without being prevented from doing so by the country’s security apparatus.¹⁸ It seems difficult to envisage an effective fight without a partnership with the closest neighbor. And especially as Tanzania can be used as a base camp, just like Boko Haram used Nigerian, Cameroonian, and Chadian territory to avoid the Nigerian army.

This worsening in the security situation has implications for the development of gas projects. ExxonMobil’s decisions to proceed with its two-train project is being closely scrutinized. The American major was supposed to make its final investment decision in 2019, but the oil company has given the government several reasons for postponing it. Firstly, the need to lower the cost of the two trains – initially \$ 30 bn, ExxonMobil wanted to move closer to \$ 20 bn – by commissioning new studies. The type of train that ExxonMobil wants to develop currently only exists in Qatar, where the major has been operating these same trains 6 and 7 via RasGas since 2009. However, although cost reduction is an important issue, the main reason seems to be related to the area’s security situation. ExxonMobil is very skeptical about the Mozambican government’s methods and its extensive use of Russian and South African mercenaries. ExxonMobil would therefore prefer to postpone any investment decision despite signing a number of service contracts that have already been approved.¹⁹ The effects of the COVID-19 epidemic were used as an excuse to postpone a very expensive project with many unknowns. The American giant’s share price on the New York Stock Exchange fell from \$ 70 per share on January 2, 2020 to \$ 40 in August

17. ‘Mozambique. Afungi Safety: Total Secures Air Support, *Africa Energy Intelligence*, March 17, 2020.

18. In May 2020, the Tanzanian president, John Magufuli, sent his troops to the border with Mozambique to avoid too much porosity between Al-Shebab and another Tanzanian Islamist movement, Al Sunnah Wa Jama’ah. Source: ‘Fears Mount over Mozambique Insurgency’, *Upstream*, July 10, 2020.

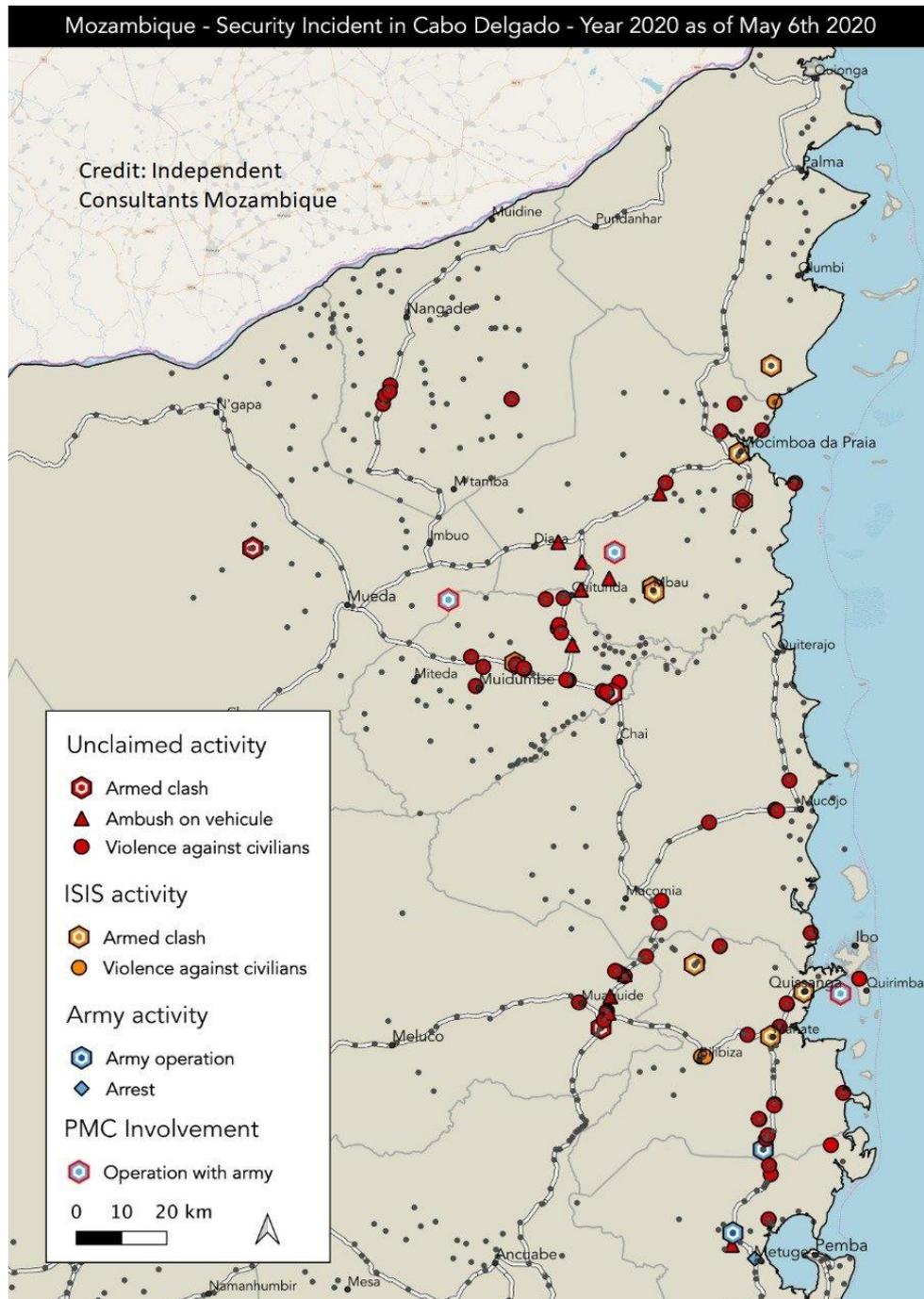
19. The construction of the trains has already been the subject of a limit notice to proceed in 2019 with the JGC/Fluor/Technip consortium. This means that ExxonMobil has already spent tens of millions of dollars on studies with these three companies.

with a low point of \$ 32 on March 20. And for good reason, although all oil companies were affected by the COVID-19 crisis when global consumption collapsed by 29% in May 2020 compared to May 2019, ExxonMobil was particularly affected by the drop in American shale gas and oil price. ExxonMobil has been highly exposed to this type of unconventional hydrocarbon since its purchase of XTO in 2009 for \$ 41 bn. The group lost \$ 610 million in the first quarter in 2020,²⁰ a situation that the oil company had not experienced for more than 30 years. Nowadays, it is impossible to determine with certainty when ExxonMobil will make the final investment decision on its first two liquefaction trains. Officially, start-up has been postponed to 2021.²¹ Furthermore, since 2019, the Block 4 partners (ExxonMobil which holds 25% of Block 4, along with ENI with 25%, and Total with 26.5%) are reported to be in discussions to reduce their financial exposure and dispose of part of their Mozambican assets. Despite the COVID-19 crisis, Total is progressing and operations are scheduled to begin in 2024-2025.

20. 'Exxon, Chevron Slam Brakes on Shale as Oil Demand Tumbles', Reuters, May 1, 2020 available at: www.reuters.com.

21. 'Fresh Target Date for ExxonMobil's Rovuma LNG Sanction in Mozambique', *Upstream*, April 30, 2020.

Map 1: location of acts of violence by Islamist groups in Cabo Delgado



Source: Armed Conflict Location & Event Data Project (ACLED), available at: <https://acleddata.com>

Local content: an image of a dysfunctional and profiteering Frelimo

Frelimo has the reputation of being rather pro-business despite its Marxist heritage, which however it officially abandoned in 1989 at the 5th Congress, favoring ‘democratic socialism.’ In 1990, Frelimo adopted a new constitution in which the reference to the word ‘people’ in the People’s Republic of Mozambique disappeared. The party also gradually removed all its leading members, who were considered too ideological, to replace them with politicians with no attachment to any form of socialism and the kings of business could flourish unhindered. Unlike some of its neighbors, such as Tanzania, where the relationship between the private sector and the government has been characterized by great mistrust since Julius Nyerere’s term in office (1964–1985), Mozambique’s leaders are known to be good at making ‘deals’, not necessarily favorable to the country, but very favorable to some of Frelimo’s leading members.

This ability to make deals has also been demonstrated in the gas sector. While the gas discoveries off the coast of Cabo Delgado were discovered from 2010, in a country without much knowledge and expertise on hydrocarbon-related matters,²² the first investment decision was made in 2017 by ENI about its FLNG (the first ordered in Africa, although the rapid transformation of an existing vessel into a FLNG facility was initiated in Cameroon in 2018).²³ These seven years ultimately represent a relatively short period of time. Additionally, ENI did not want to move faster. The Italian oil company had to perform several drilling campaigns, all of which proved to be very positive, and then it had to conduct lengthy studies to determine the best way to develop the reserves, part of which were located on either side of Blocks 1 and 4. Therefore, it was not the state as such that postponed any decision. On the contrary, Frelimo and its leaders, particularly on the Central Committee, saw business opportunities in this new sector. This state of mind is all the more evident as Filipe Nyusi, the head of state since 2015, is from Cabo Delgado province and his political backers have been the most influential men in the party for several decades. This is true for the former Minister of Defense and hero of the War of Independence against the Portuguese, Alberto Chipande, or the

22. The Pande and Temane deposits were discovered in the 1970s in Inhambane province and came into production in 2004. Because of the very limited size of these reserves, whose output is sent by pipeline to the Secunda plant in South Africa, it cannot be claimed that this development has resulted in hydrocarbon knowledge in the country. Oil and gas have mostly been attached to the Ministry of Mines and Electricity (MIREME), showing the lack of specialization in the sector.

23. ‘Golar’s Cameroon FLNG Project Starts Commercial Operations’, Reuters, June 4, 2018, available at: www.reuters.com.

former Prime Minister, Raimundo Pachinuapa, both Cabo Delgado natives. These two figures subsequently increased the establishment of service companies to be ready for when the majors were going to initiate their development project. This is particularly true for the Quionga Energia fund that both men founded in 2014 to invest in the gas sector with other actors in Frelimo.²⁴ Chipande also founded Petroinveste Mozambique with the former Minister of Finance, Abdul Magid Osman (a former Galp director).

However, despite the presence of leading businessmen wanting to establish themselves in gas projects in the services sector, the Mozambican government has paid very little attention to local content issues. No law has been passed on this subject. The oil industry's regulatory body, the National Petroleum Institute (INP), which is responsible for enforcing the hydrocarbon regulations, can only rely on a simple decree-law dated December 2, 2014, that was never discussed in parliament and only adopted by the Council of Ministers. This document stipulates the general rules related to local content on two pages in Article 10. This decree-law only applies to Blocks 1 and 4, where almost all of the country's discoveries have been found. Since then, several organizations, like the Mozambican employers' association, Confederação das Associações Económicas, have been trying to advocate for more regulations and incentives to use local firms. The reality is that the INP only has a small team in charge of this issue that is crucial to help Mozambican businessmen have access to opportunities in this sector. Faced with the ineffectiveness of the regulatory body, President Nyusi also set up a task force in early 2020 led by an advisor to the Minister of Natural Resources, Henrique Cossa,²⁵ whose role will be to determine how to increase the scale of local content. The World Bank will also finance a study by a consultancy company on local content issues. However, this awareness is a bit too late, as ENI's FLNG facility will be in operation in 2022-2023 and Total's first trains in 2024-5.

It should be noted that the local content requirements are not ambitious.

Despite the 2014 Gas Master Plan, financed by the World Bank,²⁶ few projects have been approved by the INP. To date, only three companies have been awarded contracts for projects using gas domestically. Yara International (Norway) is expected to operate a fertilizer production plant

24. 'Mozambique. Gas and Power: How Chipande Has Made the Most of Nyusi's Presidency', *Africa Energy Intelligence*, April 9, 2019.

25. 'Mozambique. Gaz: Nyusi Still at a Loss over Local Content to Total and Exxon's Great Relief', *Africa Energy Intelligence*, May 8, 2020.

26. *Mozambique Natural Gas Master Plan*, passed by the Council of Ministers on June 24, 2014 available at: www.inp.gov.mz.

(1.2 Mt) producing 80 million cubic feet per day. The Anglo-Dutch major, Shell, has also won a Gas to Liquids project and finally the Kenyan company, GLA, is expected to build a 250(MW) power plant. However, none of this infrastructure was under development as of mid-2020.

Frelimo's intention was clearly to facilitate the quickest possible inflow of new cash and to do this, it has implemented the lowest possible standards and restrictions on oil companies. Local content has not been pushed to excess, as Frelimo's leaders will have their share, but do not necessarily want to develop a network of companies likely to compete with them. The delay by ExxonMobil, which may be years, risks postponing some of the rents which would only come in during the term of another president other than Felipe Nyusi, who in theory will leave office in 2024. This situation is not likely to create tension for the party-state, as rents and business opportunities in the gas sector will be profitable for some of its members and have already started. Although the largest share of the rents or opportunities may only materialize in 2025 or 2030, it will all be appropriated by this political elite in any case. Members of the politburo are certain that regardless of the difficult conditions in the national economy in the coming years, before the inflow of the first significant rents, these vast gas discoveries will provide them with a kind of life insurance that will allow them to extend their control over the country. Additionally, due to the service contracts and many associated businesses that they will have a say over, their personal finances will also benefit. For people who do not have contacts at the highest level of state, or are not closely connected to Frelimo, it will be much more difficult to access important markets.

It is obvious that despite the country's economic difficulties in recent years, worsened by the COVID-19 crisis, Frelimo is likely to continue tighten its control in the face of foreign donors and powers. The democratic space is likely to shrink, as the first gas projects finally start to generate rent for the Frelimo-state.

The role of external powers in gas development

Although, the political, economic and security aspects of the gas project have an impact on local actors, the internationalization of oil actors is not neutral for Mozambique. All the major powers are currently in the Mozambican gas market that focuses on the continent's largest projects. The interests of Italy (ENI), the United States (Anadarko until 2019 and ExxonMobil – private – since 2017), India (Bharat – private – and ONGC – state-owned), Japan (Mitsui – private), China (CNPC – state-owned), Thailand (PTTEP – state-owned), Portugal (Galp – private), France (Total – private), Russia (Rosneft – state-owned and private equity), Qatar (Qatar Petroleum – state-owned), South Africa (Sasol – private) and South Korean (Kogas – private) all converge in the country's offshore. These companies are involved in the discoveries in Blocks 1 and 4, except Rosneft and Qatar Petroleum which are restricted to exploration along with ExxonMobil, and Sasol in gas production at Inhambane, in the south of the country. However, these companies do not have the same desire to have an impact, either because their interest remains limited, or because their resources do not allow them to claim any real influence on the gas process, and consequently on the political or security situation in Mozambique.

These companies could be grouped into two broad categories. Firstly, those that do not really have any influence other than in oil due to their stakes in the blocks (Kogas, PTTEP, Mitsui). All these companies have minority stakes in Blocks 1 and 4 and do not have states behind them wanting to play a specific role in Mozambique. Although all of ENI's FLNG gas has been purchased by BP, gas cargoes from Total's project will have multiple buyers,²⁷ mainly Asian, such as JERA Co (Japan, which is the world's leading LNG buyer and a JV between Tokyo Electric Power and Chubu Electric Power, both major electricity producers in Japan), CPC (sole importer in Taiwan), Cnooc (China), Pertamina (Thailand), Bharat (India), or Western ones: Shell (Netherlands) and EDF (France). Most of this gas will be destined for Asian markets (which partly explains the presence of Mitsui, Kogas and PTTEP) and also more indirectly for Europe.

27. 'Anadarko Says to Supply Mozambique LNG to Japan's JERA, Taiwan's CPC', Reuters, May 14, 2019.

Japan, South Korea or Thailand are not really interested in influencing Mozambican political decisions.

A personal and special relationship with India

India, which is very involved through its private (Bharat) or public-sector (ONGC) investors, is in an intermediate position. It is Mozambique's leading trade partner. Furthermore, President Filipe Nyusi undertook part of his university studies in management in 2003 at a business school in Gujarat (Indian Institute of Management) in Ahmedabad, which is the state the current Prime Minister Narendra Modi is from. The Mozambican president also went on an official trip to India in August 2015 – Modi came to Mozambique in July 2016 – during which he spent two days in Gujarat, mainly to sign agricultural cooperation contracts. At the beginning of his first term, Filipe Nyusi also spoke almost solely about agriculture and did not seem at all interested in gas-related issues.²⁸ While the relationship between India and Mozambique has probably never been stronger because of the personal relationship of the two leaders and social ties,²⁹ it is supported even more by Carlos Agostinho do Rosário, Filipe Nyusi's prime minister since 2015, who also knows India well, having been ambassador to New Delhi from 2002 to 2008, during which time the two Mozambican leaders currently in power got to know each other. Defense cooperations were initiated with India to combat piracy in 2012 after an agreement signed in 2011, or to provide assistance after Cyclone Idai in March 2019, during which nearly 1,000 people died.

France is seeking to build its relationships while Italy is reaping the dividends of peace

Since mid-2019, the French major, Total, has been in charge of the Mozambican LNG project in Block 1, purchased for \$ 3.9 bn from Occidental Petroleum, which in turn bought the stake from Anadarko. Total had already been involved in exploring Blocks 3/6, located south of

28. It was only at a major conference in Pemba (Cabo Delgado) on August 15, 2018 in the presence of oil companies, employers' organizations and President Felipe Nyusi that the president demonstrated his commitment to move the sector forward as quickly as possible, one year before the 2019 elections. Sources: 'Mozambique. Nyusi Finally Becomes Gas Head Honcho, Here's Why', *Africa Energy Intelligence*, September 4, 2018.

29. According to Indian official statistics, 25,000 Mozambicans are of Indian origin, and mainly from Gujarat state. Source: 'Population of Overseas Indians', Indian Ministry of External Affairs, available at: <http://mea.gov.in>.

permits 1 and 4, with Petronas, and then returned them to the government. Historically, Mozambique has never been a priority for France in its African policy. The embassy in Maputo is small with three diplomats on average. However, due to the presence of the Scattered Isles in the Mozambique Channel, which Paris claims sovereignty over, Mozambique, which although it does not explicitly claim them unlike Madagascar, has always been a ‘neighbor’ which it has had to maintain dialog with. The former Mozambican president, Joaquim Chissano (1986-2005), was also one of the mediators in the political crisis during Marc Ravalomanana’s early departure from office in Madagascar – a former French colony – in 2009. Therefore, there are important political issues between the two countries. The advent of Total changes the situation somewhat, as the French major will become one of the most important, if not the leading, investor in the country in coming years. In 2017, France was only the sixth-largest supplier in Mozambique and its 16th largest client.³⁰ At the beginning of 2020, 570 French citizens were resident in Mozambique, and this figure is expected to grow rapidly. A military cooperation agreement was signed in 2004 with joint naval exercises among others. A defense mission was even launched in 2018, following a decision in 2017, or well before Total’s entry onto Block 1. Previously, defense matters were managed by the mission in Pretoria. An economic attaché was also appointed in 2015.

The Italian major, ENI, which still controls 25% of Block 4, is 30% owned by the Italian state. Italy has historically played an important political role in Mozambique, as it was the sponsor of the peace agreement, signed in Rome in 1992, to end the civil war between Frelimo and Renamo. The community of Sant’Egidio, linked to the Holy See, led the mediations from 1991, assisted by the Italian politician, Mario Raffaelli. The main negotiator on Frelimo’s side was none other than Armando Guebuza who would become president in 2005 and would remain so until 2015. This successful mediation helped Italy to gain greater influence in Mozambique. However, it was under Guebuza that the gas discoveries were made. In 2012, in order to optimize the benefits of this gas, Rome also decided to appoint an ambassador who knew Mozambique well in the person of Roberto Vellano. He had already been posted to the embassy in Maputo between 1991 and 1994, both during and after the peace talks that give him direct access to President Guebuza. However, Vellano, who has been very active in defending his country’s positions, remained in office up to 2019 or for seven years. He has clearly become the most influential and best

30. Country Economic Benchmarks, Economic Diplomatic Directorate, September 2019, available at: www.diplomatie.gouv.fr.

informed of the European ambassadors.³¹ The ambassador was also very active after the disaster of Cyclone Idai in March 2019 that caused severe flooding. Two Italian military airplanes were dispatched to bring relief supplies and deploy medical teams. A technical cooperation agreement between the Italian and Mozambican navies was signed in January 2014 to increase cooperation.³² This was obviously primarily to protect exploration operations and future development of gas deposits, which were threatened by the rapid increase in piracy at this time, mainly from Somalia. Piracy in the Indian Ocean, which was very high between 2008 and 2012, has considerably decreased since then, but some sporadic attacks are still being reported. The links established by the Italian stakeholders with Armando Guebuza since the peace agreements would encourage contacts at presidential level. Besides ENI, Saipem, its oil services subsidiary, also won a very important contract with Subsea7 for the installation of the subsea gas recovery network for the future LNG project led by ExxonMobil. Saipem is also responsible for developmental drilling on Coral's FLNG. Since the sale of 25% of the block to ExxonMobil in December 2017, the new situation for the Italian major is that it is no longer responsible for developing the onshore trains which would account for the bulk of investments. ExxonMobil has taken over the lead of the entire onshore part. ENI will only manage the FLNG. Consequently, the Italians no longer have the same interest in influencing decisions. They are more committed to helping their American partner in case of problems due to their valuable local network.

Russian influence in gas and elsewhere

Rosneft is still 50% owned by the Russian Federation, followed by BP (19.75%), QH Oil Investments LLC (Qatari sovereign funds, 18.93%) and since 2018 has been active in exploring Blocks A5-B (Angoche Basin), and Z5-C/Z5-D (Zambezi Delta Basin). During the Russian-Africa summit in Sochi on August 22, 2019, a new partnership was established between Rosneft, the National Petroleum Institute (the Mozambican oil regulator) and ENH (the Mozambican state-owned company) to enable Rosneft to analyze data from several onshore and offshore blocks that it could decide to invest in.³³ The partnership was signed by Omar Mitha, at the time boss of the ENH – and now advisor to the president – as well as Igor Sechin, the Rosneft chairman. However, Igor Sechin is very close to the Russian

31. Interviews in Maputo with several European ambassadors between 2013 and 2019.

32. 'Italian Warship Training Mozambican Navy', *DefenceWeb*, February 20, 2014, available at: www.defenceweb.co.za.

33. 'Rosneft Keen on Expanding Mozambique Portfolio, CEO Sechin Says', *Offshore Energy*, August 23, 2019, available at: www.offshore-energy.biz.

president, Vladimir Putin, and an expert on Mozambique. He was a Russian/Portuguese interpreter for the Soviet army in Maputo from 1984 to 1986, and then in Angola in 1988. Sechin is pushing for more investment in Mozambique by his country and not just in gas. Russia has had close links with Frelimo since the days of the USSR when it supported the then Marxist movement to achieve independence. A significant part of the party's establishment was trained by the Soviets, particularly in Tanzania that had been independent since 1961. However, the break-up of the USSR in 1991 led to a significant decrease in trade with Africa and therefore with Mozambique.

Success on all three exploration blocks marked Russia's return to the country. Defense contracts were signed in January 2017, and then confirmed on August 22, 2019 in Sochi, after a visit by the Russian Minister of Foreign Affairs, Sergei Lavrov on March 7, 2018. These agreements mainly enabled the influx of Russian forces into the Cabo Delgado gas region.³⁴ However, trade was still very low: \$ 115 million in 2018.³⁵ Filipe Nyusi's visit to Moscow in August 2018, was 31 years after the last visit by a Mozambican president, Joaquim Chissano, to Moscow in 1987. Russia has a very good relationship with the government. The Russian ambassador in Maputo, Alexander Surikov, congratulated Filipe Nyusi on his re-election on October 21, 2019, whereas his victory had only been confirmed by the National Election Committee (CNE) on October 30. Surikov arrived in Maputo in 2019, and was previously the Russian ambassador to Belarus for 12 years. He was subsequently assigned to posts in countries friendly to Russia where he could play a leading role and be received without difficulty at the highest level of state.

US-China rivalry in Cabo Delgado

In the near future, ExxonMobil, along with Total, will be the most financially committed foreign investor in Mozambique. Its purchase of 25% of Block 4 has still not led to a final investment decision, but the development program was approved by the Mozambican authorities in 2019. The United States is already heavily involved in the hidden debt scandal and Washington is determined that a number of protagonists in this scandal, like the former Minister of Finance, Manuel Chang, are brought to trial. In order to finance its two LNG train projects in Afungi, ExxonMobil applied for a \$ 1.85 bn loan from the American Export-Import

34. Regarding Mozambique-Russia relationships, see: T. Coloma, 'La diplomatie économique-sécuritaire russe au Mozambique', *Notes de l'Ifri*, Ifri, May 2020, available at: www.ifri.org.

35. 'Mozambique Embraces Russia's Investment Efforts', *IDN-IndepthNews*, August 24, 2019, available at: www.indepthnews.net.

Bank (EximBank) with the aim of buying a similar amount of US-manufactured equipment. The Exim Bank announced in June 2019 that it would need to conduct a comprehensive study before making a decision.³⁶

In February 2020, ExxonMobil finally decided to withdraw its application to EximBank. Although, the American major did not comment on this sudden decision, it is clear that the presence of the Chinese major, CNPC, on ExxonMobil's block prevented any possibility of American assistance. Donald Trump's administration refuses any foreign assistance to projects which could directly or even indirectly benefit Chinese companies.³⁷ Mozambique's LNG project (Block 1) is now in Total's hands; it benefited from a \$ 5 bn loan granted by the same American EximBank at the end of 2019. EximBank examined this application when Anadarko – an American company – still owned 26.5% that is now in Total's hands. As no Chinese company is operating in Block 1, this loan was not canceled when the French arrived. It was merely amended in May 2020 and reduced to \$ 4.7 bn.

China is a historical partner of Mozambique just like Russia. The relationship between the ruling parties, Chinese Communist Party (CCP) and Frelimo, is very close. From the 1960s, the CCP provided diplomatic and also military support for Mozambique independence.³⁸ After independence and during the civil war, this cooperation increased further with the formalization of Frelimo's Marxist affiliation in April 1977 (3rd congress). The visit by the Chinese President, Hu Jintao, to Maputo in 2007 significantly intensified cooperation and increased trade. In June 2019, President Filipe Nyusi traveled to China where he mainly met his counterpart, but also Xu Qiliang, the Vice-Chair of the Chinese Central Military Commission. Therefore, there is clearly military cooperation. Again, at the start of January 2020, Frelimo's General Secretary, Roque Silva Samuel, met Huang Kunming, a member of the Political Bureau of the Central Committee of the Communist Party of China (CPC) in Beijing. China imports Mozambican timber, a bit of fish, but above all has developed very important infrastructure through loans or donations. For example, it has built official buildings, such as the National Assembly, the Ministry of Justice, Maputo airport or even the Joaquim Chissano Conference Centre. China also financed and built the most expensive piece of infrastructure in Mozambique since independence, the Maputo-Catembe

36. 'Mozambique. ExxonMobil Courts Eximbank for Fresh Funds', *Africa Energy Intelligence*, No. 843, June 25, 2019.

37. 'ExxonMobil Aborts Rovuma's US Exim Bank Loan Bid', *Upstream*, March 12, 2020, available at: www.upstreamonline.com.

38. To explore the China-Mozambique relationship further, see: C. Alden and S. Chichava, *China and Mozambique: From Comrades to Capitalists*, Johannesburg: Jacana Media, 2014.

bridge: costing \$ 785 million and completed in 2018. However, in the current period it is expected to be more difficult to negotiate with a Mozambique that cannot repay all its loans to China and which it is a partner with in the Belt and Road Initiative³⁹. China could reduce its investment level while waiting for significant gas rents at the end of the decade. Filipe Nyusi, like his predecessors, is comfortable with China as it does not require transparency or democratization of the regime.

The ubiquitous, but declining role of South Africa

It would be impossible to talk about Mozambique's relations with the rest of the world without mentioning its closest and still economically dominant neighbor: South Africa. South Africa is seeing its status change, as Maputo is diversifying its economic partnerships so that it is no longer dependent on its powerful neighbor. Furthermore, South Africa's role in the 2013 hidden debt scandal, which went so far as to imprison the former Minister of Finance, Manuel Chang, helped to fuel Filipe Nyusi's suspicion of Cyril Ramaphosa, who is seen as being excessively influenced by the West, particularly the United States.

More than a quarter of Mozambique's imports in 2018 came from South Africa (China was in 2nd position with only 11%). The relationship is similarly strong for exports because of electricity (the Cahora Bassa dam is connected to South Africa by a high voltage line) and gas from Pande and Temane which is transported via pipeline to Secunda. However, South Africa only ranks third in terms of Mozambican exports (12%), behind India (27%) and the Netherlands (17%).⁴⁰ Although the South African company, Sasol, has been exploiting all the gas produced in the country since 2004, it has no stakes in Blocks 1 and 4 where the reserves in the north of the country are concentrated. Additionally, Sasol started its divestment by selling its stakes in the pipeline between its fields and South Africa.⁴¹ However, Sasol has been awarded a new block, PT5-C, in the 2015 call for tenders, located near its producing fields in the Inhambane province.

In the preparatory work for the 2012 *Gas Master Plan* financed by the World Bank and partly approved by the government in 2014, a pipeline was discussed to export gas from Cabo Delgado to South Africa; transport

39. Several projects were financed via the BRI initiative, such as the Maputo-Katembe bridge.

40. The figures are from the Mozambican Institute of Statistics' website: www.ine.gov.mz.

41. 'Sasol to Sell Stakes in Mozambique Pipeline, Power Plant', Reuters, June 26, 2020.

by LNG carrier was also considered.⁴² However, despite South Africa's keen interest in boosting the role of gas in its electricity sector, no purchase agreement from South Africa has been signed since then, either for ENI's FLNG or for Total's first two trains. The reason for this lack of appetite in launching regional gas transport projects: South Africa has been in a structural political and economic crisis since the last years of Jacob Zuma's presidency, in power until 2018. The project of importing LNG to South Africa is longstanding, but has never happened. In 2008, President Thabo Mbeki visited Qatar to discuss buying LNG⁴³ which would have been offloaded via a regasification barge (FRSU) in Mosel Bay. This never happened. Several other similar negotiations failed with Qatar. Meanwhile, South Africa focused on launching massive coal-fired power plant projects, such as Kusile and Medupi (4,800 MW each) in the mid-2000s. One of the obstacles to gas development in South Africa is that there is no distribution network and that it would cost billions of dollars to build. The current president, Cyril Ramaphosa, launched an investment program of \$ 100 bn when he came to power.⁴⁴ Part of this plan consisted of building gas pipelines to provide the industrial centers and even urban populations with energy and to negotiate LNG supply contracts. For the time being, nothing has been done in terms of gas. South Africa is also counting on the results of explorations in its offshore. In February 2019, Total discovered gas in Block 11B/12B and is expected to drill other wells during 2020-2021 depending on how the COVID-19 epidemic develops. The production conditions will not be easy and the potential resources are still not well known.

42. 'The Future of Natural Gas in Mozambique: Towards a Gas Master Plan', *ICF International*, for the World Bank and the Mozambique government, p. 9, December 20, 2012.

43. 'Afrique du Sud. Alliance gazière avec Doha', *Africa Energy Intelligence*, May 20, 2008.

44. 'South Africa Appoints New Envoys in Drive to Raise \$100 Billion', *Bloomberg*, November 4, 2019.

Conclusion

The excitement of the gas community in Mozambique in the early 2010s, following numerous discoveries by Anadarko and ENI has given way to growing concerns. This is mainly due to the particularly worrying security issues in the Cabo Delgado province where the future liquefaction plants and all the offshore development logistics will be located. The hardening of Frelimo's regime and the consequences of the party's withdrawal following the hidden debt scandal are not really a serious cause of concern for the oil companies that are used to dealing with the authoritarian regimes where transparency is not the norm.

It is more of a challenge for Western countries, which are used to intervening in domestic affairs through direct budget financing via international donors, and which are facing a loss of influence. Frelimo – which has been conflated with Mozambique since independence – has clearly used the gas card to free itself from the dominance of traditional donors. The current period, which is likely to last until the end of the decade is a difficult one, as the country's indebtedness is at an all-time high and gas rents will take many years to translate into massive inflows into the state's coffers.

Frelimo must therefore weather the storm and not lose what it has gained in confidence and sovereignty – some would say in arrogance – in the coming years, given the worrying economic situation. The way in which the 2019 elections were conducted is a clear sign that the country's leaders, with Filipe Nyusi first and foremost, will stop at nothing to assert the party's pre-eminence over all state decisions. The limited room for maneuver of the opposition parties, Renamo and MDM, which have very few well-trained officials and few resources to occupy the public space, further strengthens the party-state, that does not hesitate to use aggressive tactics during electoral campaigns to intimidate the militants of other political parties. The gas discoveries in Cabo Delgado are so extensive that it seems unlikely that only ENI's FLNG projects and the two Total trains will be developed.

As for ExxonMobil's trains or those planned later (about ten in total), their construction will certainly be much more staggered over time, resulting in rents gradually increasing. The rate will also be influenced by the management of security issues in Cabo Delgado. The COVID-19 crisis

will also have played a role in ExxonMobil's decision to postpone an investment decision by several months that was already in trouble because of the issues of cost and confidence in the Mozambican government's security strategy.

However, there are some reassuring factors for gas development in Mozambique. The party in power since 1975 is definitely pro-business and will not hesitate to compromise to save projects. The companies in charge of projects are the most experienced in the world in terms of technology and management of security issues. Finally, the partners on the blocks mainly come from countries that are major LNG importers (India, Japan, China, Thailand) some of which have signed long-time purchase contracts (Total project: 11 mt pre-sold over more than ten years out of the total 12.9 mt which will produced).

Some countries, such as France, the United States and Italy will boost their presence in the country in the coming years. Some others, such as China, Russia or India have already had a strong presence for a long time and intend to use their gas investments to boost this position. The South Africans, dominant because of their geographical proximity, will scarcely be involved in this development, which is not expected to really benefit them, but which could boost rebalancing with a Mozambique that is more assertive regionally, with the latter becoming a sort of investment hotspot in Africa because of gas discoveries. Although the major powers will compete to win markets, it seems unlikely that they will succeed in influencing decision-making in a country with a party-state where conflicts – war of independence and civil war – have consolidated relationships between its leaders.

Perhaps, change will come with the advent of a new generation that did not experience the colonial period and aspires to a different way of working than the ultra-centralized system Frelimo has been advocating for 45 years. However, the new generation within Frelimo still finds it difficult to propose another model, given the replication of families within the party, which is not very conducive to promoting ideological shifts or bringing about a new way of working compared to their parents, who are now or were in politics until recently.

