

AFRICA RISK CONSULTING

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Mozambique Summary 20 August 2018

New licensing fees will increase the amount foreign journalists pay to report in-country. The fees are set to take effect on 22 August, just one month before municipal elections and a year before the 2019 presidential elections. Chinese state-owned railway company China Railway Corporation (CR) vice-president Shao Gang is reportedly finalising an agreement on the construction of a \$2.5 billion railway link between Mozambique and Zimbabwe. The proposed railway would give landlocked Zimbabwe access to the Nacala Port, although critics may argue the plan is reminiscent of colonial infrastructure plans. United States-based oil and gas company Anadarko Petroleum Corporation announces it will provide \$2.5 billion for contracts with local suppliers in Cabo Delgado Province during the construction phase of the natural gas liquefaction plant.

Drastically higher media accreditation fees will limit press freedom

Mozambique's new licensing fees, which will increase the amount foreign journalists pay to report in-country, are set to take effect on 22 August, just one month before municipal elections and a year before the 2019 presidential elections.¹ The government outlined the new fees in decree 40/2018 on 23 July.² Foreign correspondents living in Mozambique will be charged \$8,300 per year to report, while foreign correspondents will pay \$2,500 for media accreditation per trip.³ Mozambican nationals working for foreign publications must also pay a \$500 annual fee.⁴ New domestic media organisations will be liable to pay a \$330 fee for new publications and \$800 for new radio stations.⁵ The **Gabinete de Informação**, which facilitates media registration, will administer the payments. The Gabinete de Informação is made up of 11 members, of which the presidency and parliament appoint six, while the journalists' union and media company appoint five. The Gabinete de Informação was reportedly not consulted before the law was approved.⁶ Previously, there was no fee for foreign correspondents living in Mozambique and foreign correspondents paid around \$100 for media accreditation, as in most other **African** countries.⁷

As was to be expected, there has been an outpouring of criticism over the new charges. Non-governmental organisation **Human Rights Watch** stated that the government should revoke the new fees as they are "*a huge setback for press freedom and access to information in Mozambique*".⁸

Erik Charas, the founder of **Verdade**, a Mozambique-based independent newspaper, went further and stated that:

*"There is no justification for a community radio fee to increase 100,000%, except for the fact that the government wants to close it down, having tried and failed all other methods, including physical intimidation."*⁹

¹ Mail & Guardian, 8 Aug 2018.

² Committee to Protect Journalists, 15 Aug 2018.

³ Mail & Guardian, 8 Aug 2018.

⁴ Mail & Guardian, 8 Aug 2018.

⁵ Mail & Guardian, 8 Aug 2018.

⁶ Committee to Protect Journalists, 15 Aug 2018.

⁷ Mail & Guardian, 8 Aug 2018.

⁸ Human Rights Watch, 17 Aug 2018.

⁹ Quartz, 15 Aug 2018.

Mozambique's press freedom has been slipping in the past few years. **Reporters without Borders** ranked Mozambique 99th out of 180 countries in May.¹⁰ Local journalists say they have received death threats and police intimidation to deter them from reporting anti-government information.¹¹

Mozambique's ranking on Reporters Without Borders Press Freedom Index

Year	Ranking
2013	73/180
2014	79/180
2015	85/180
2016	87/180
2017	93/180
2018	99/180

The high fees will decrease the number of foreign journalists covering smaller events in Mozambique, such as the municipal elections. These elections are significant as they are the first in which the main opposition party, **Resistência Nacional Moçambicana (Renamo)** have contested in 15 years. With new electoral regulations stemming from the peace agreement (see *ARC Briefing Mozambique February 2018*), Renamo is expected to win several municipalities. This could give them the opportunity to name the provincial governor, which has significant political implications in Mozambique. However, fewer media accreditations will mean less coverage of the municipal elections. According to **Adrien Barbier**, a journalist who lived in Mozambique from 2014 to 2017, the new fees mean that many fewer journalists will be able to go to Mozambique and report on events there:

*"Mozambique will fall off their radar... It's also worrying for the two upcoming elections in October and in 2019, because the country is huge and as many journalists and observers as possible will be needed to monitor that everything runs smoothly."*¹²

Critics continue to push for the law to be revoked and a meeting of the Gabinete de Informação is scheduled for 21 August. However, the government is unlikely to back down as the original decree was approved without public debate.¹³ The government is likely hoping that the very rules that will limit press coverage in Mozambique will be the first in a potentially large number of decrees that receive scant press coverage, and by extension, little expression of public opinion.

China plans to build \$2.5 billion railway link between Mozambique and Zimbabwe

Chinese state-owned railway company **China Railway Corporation (CR)** vice-president **Shao Gang** announced on 14 August that it is finalising an agreement on the construction of a \$2.5 billion railway link between Mozambique and **Zimbabwe**.¹⁴ Shao stated that the first phase of construction would be a 400-kilometre link between **Shamva** in Zimbabwe to **Moatize** in Mozambique, followed by a 900-kilometre link to **Nacala Port**.¹⁵ The new railway would take advantage of work already completed on the \$5 billion **Nacala Logistics Corridor**, which will transport coal owned by **Brazil**-based mining company **Vale** to Nacala for export.¹⁶ While Shao stated that CR is ready to begin construction along with local partners, Zimbabwe-based infrastructure consultancy **Global Power Bridge International** said there is not yet an agreement with the Mozambique and Zimbabwe governments or word on

¹⁰ Club of Mozambique, 4 May 2018.

¹¹ The Irish Times, 2 Apr 2018.

¹² Mail & Guardian, 8 Aug 2018.

¹³ African Arguments, 15 Aug 2018.

¹⁴ Journal du Cameroun, 14 Aug 2018.

¹⁵ Journal du Cameroun, 14 Aug 2018.

¹⁶ Steel Guru, 16 Aug 2018.

whether they will accept the project.¹⁷ Shao originally proposed the railway link in a letter to Zimbabwe transport minister **Joram Gumbo** and presidential adviser **Christopher Mutsvangwa** on 20 March.¹⁸

The railway link aims to give landlocked countries access to **Indian Ocean** ports. The access will help to reduce importing costs and increase exports for these countries, but will also allow further opportunities for the Chinese companies currently operating in landlocked countries such as Zimbabwe. This includes a \$500m soya bean production project in **Binga** and several infrastructure projects around Zimbabwe.¹⁹ The new railway proposal forms another cog in China's **Belt and Road Initiative**, which seeks to connect China with the rest of the world through a vast number of road, rail and maritime routes. This link would increase the use of Nacala Port as southern Africa's major port, increasing Mozambique's economic potential and political influence in the region. However, critics may also argue that China's push for infrastructure to the coast for export of goods is reminiscent of colonial-era roads which may lead to push back in the future against China-backed infrastructure projects.

Anadarko announces \$2.5 billion for Mozambique-based companies' LNG project

United States-based oil and gas company **Anadarko Petroleum Corporation** announced on 12 August that it will provide \$2.5 billion for contracts with local suppliers in **Cabo Delgado Province** during the construction phase of the natural gas liquefaction plant.²⁰ However, Anadarko vice-president **Steve Wilson** noted that local companies will need to deepen their technical skills to compete with other foreign companies.²¹ Anadarko announced on 27 June that it would make its final investment decision on the liquefied natural gas (LNG) terminal in the first half of 2019 (see *ARC Briefing Mozambique July 2018*),²² though Wilson's announcement illustrates that the final investment decision is likely to be a go-ahead for the plant. Production is scheduled to begin in 2023 or 2024 and the plant would produce 12.88 million tonnes of LNG per year.²³ However, there may be issues that delay the decision, such as the continuing Islamist attacks in the Cabo Delgado region (see *ARC Briefing Mozambique June 2018*). Although the attacks have not yet targeted foreign companies, Anadarko has nevertheless placed its staff under 'lock-down' due to the security fears.²⁴

While the government has attempted to crack down on the attacks, it would likely step up its security operations if the attacks targeted Anadarko or affected other companies' attempts to explore or export LNG from the region. The government expects LNG to generate \$49 billion from sales over the next 30 years and, if all goes according to plan, Mozambique will become the fourth largest LNG exporter in the world.²⁵ Continuing demand from China and **Southeast Asia** has intensified the rush to find more LNG. Stricter environmental standards that place LNG above coal as a fuel source have meant continuing demand despite LNG's larger price tag, even during the northern hemisphere summer season.²⁶

The chart below demonstrates that demand in **Asia** has risen drastically but the historical summer slump was lower than in previous years. In China, the price has risen close to \$10 per million British Thermal Units (BTUs) and this price may rise as supply is limited in August due to maintenance.²⁷ Anadarko – as well as **South Africa**-based power utility **Eskom**, which is building the largest

¹⁷ Daily News Live, 23 Jul 2018.

¹⁸ Daily News Live, 23 Jul 2018.

¹⁹ Daily News Live, 23 Jul 2018.

²⁰ Journal du Cameroun, 12 Aug 2018.

²¹ Journal du Cameroun, 12 Aug 2018.

²² Business Day, 28 Jun 2018.

²³ IPP Media, 17 Aug 2018.

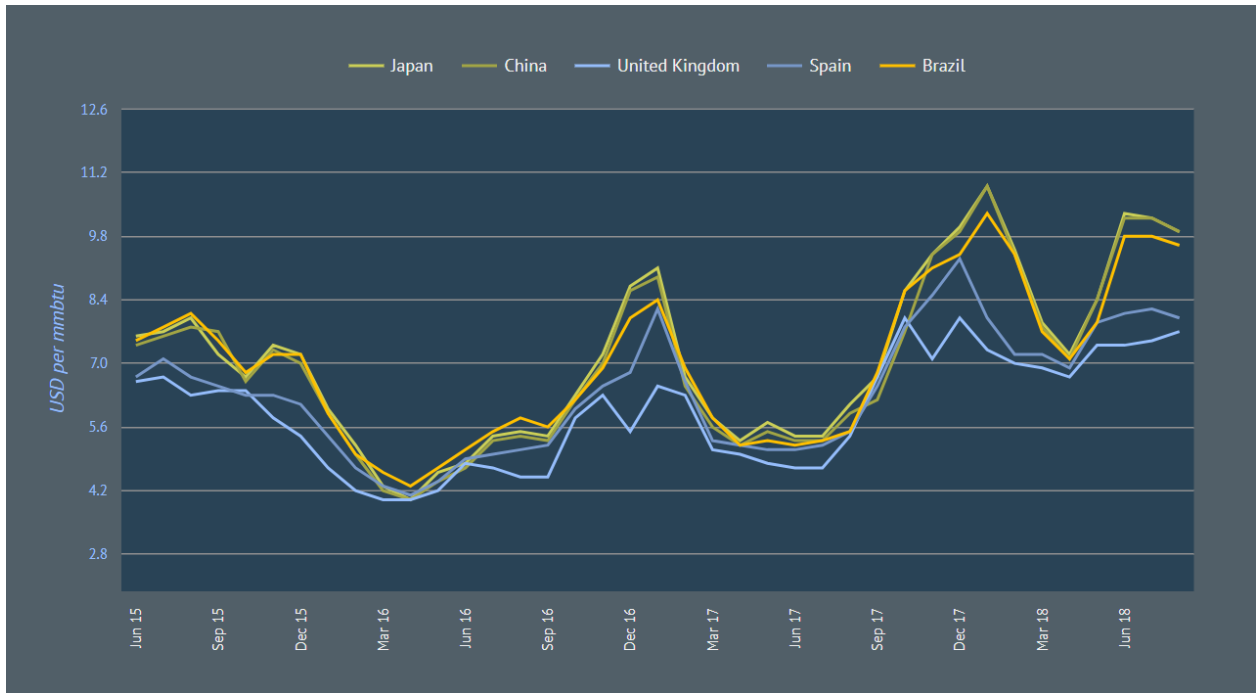
²⁴ EWN, 25 Jul 2018.

²⁵ Bloomberg, 23 Jul 2018.

²⁶ Oil Price, 7 Jun 2018.

²⁷ Reuters, 4 Jun 2018.

liquefaction trains in the world (outside of **Qatar**) in Mozambique – are both hoping that demand for LNG continues in Asia and increases in Africa as governments take advantage of the gas-to-power potential.²⁸ However, there is still major uncertainty around future demand for LNG due to the volatility of the energy markets and the potential for conflict in the region, both of which place the investments, and the government's plans for economic recovery, at risk.



(Source: www.bluegoldresearch.com)

Planner

22 Aug 2018 Government-imposed large licencing fees for foreign reporters comes into effect;
 10 Oct 2018 Municipal elections scheduled
 Oct 2019 General elections scheduled

Chronology

15 Aug 2018 **Maputo (Mozambique)** *Jewellery Business*. **Canada**-based mining company, **Fura Gems**, acquires a ruby mine from **Azores Overseas** in the **Cabo Delgado Province**;

15 Aug 2018 **Maputo (Mozambique)** *Journal du Cameroun*. **Brazil**-based mining company, **Vale**, posts a \$7.9 billion loss in the second quarter of 2018 at its **Moatize** coal mine;

14 Aug 2018 **Maputo (Mozambique)** *Journal du Cameroun*. **Brazil**-based mining company, **Vale**, plans to invest \$6.5m into social projects in **Mozambique** by the end of 2018 in **Tete Province**;

13 Aug 2018 **Maputo (Mozambique)** *Global Construction Review*. **China Railways** proposes the construction of a \$2.5 billion rail link between **Mozambique** and neighbouring states to give landlocked countries access to **Indian Ocean** ports;

²⁸ ESI Africa, 22 May 2018.

12 Aug 2018 **Maputo (Mozambique)** *Journal du Cameroun*. **United States**-based oil and gas company, **Anadarko Petroleum Corp**, announces \$2.5 billion in funding for local companies to provide logistics services for its onshore liquefied natural gas plant;

10 Aug 2018 **Maputo (Mozambique)** *BBC*. **Mozambique** imposes large licence fees for local and foreign journalists in an apparent attempt to discourage reporting;

8 Aug 2018 **Gorongosa (Mozambique)** *Business Day*. **Resistência Nacional Moçambicana** interim leader, **Ossufo Momade**, states that a new commission will receive weapons from former fighters and the fighters would be integrated into the armed forces, though there is no agreement yet to integrate into the police force;

7 Aug 2018 **Maputo (Mozambique)** *Reuters*. Government approves contracts giving exclusive rights to multinational firms to explore for oil after four years of negotiations;

6 Aug 2018 **Niassa Province (Mozambique)** *Journal du Cameroun*. State-owned energy company, **Electricidade de Mocambique** begins construction of a power transmission line to **Niassa Province**, improving the quality and reliability of electricity in the region;

6 Aug 2018 **Maputo (Mozambique)** *Business Day*. The **Global Group of Mozambique's Bondholders** proposes that the government pays them portions of future natural gas revenue as part of the **Eurobond** restructure;

3 Aug 2018 **Maputo (Mozambique)** *IMF*. The **International Monetary Fund** concludes its visit to **Mozambique**, forecasting the economy to recover gradually with prudent revenue and spending projections;

3 Aug 2018 **Maputo (Mozambique)** *ESI Africa*. State-owned energy company, **Electricidade de Moçambique**, opens a tender to install and upgrade transmission lines in **Maputo** and **Matola**;

26 Jul 2018 **Maputo (Mozambique)** *Engineering News*. **Australia**-based **Ncondezi Energy** submits an updated tariff proposal to state-owned power utility, **Electricidade de Moçambique**, to progress the 300 megawatt power plant project;

24 Jul 2018 **Maputo (Mozambique)** *Journal du Cameroun*. The **African Development Bank** approves a \$22.4m finance package for two agricultural projects in **Mozambique**;

20 Jul 2018 **Maputo (Mozambique)** *News24*. Parliament passes electoral reforms securing the decentralisation of power which should allow 10 October municipal elections to take place on schedule;