

## AFRICA RISK CONSULTING

### Mozambique Monthly Briefing January 2024

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#### Mozambique Summary 9 January 2024

*President Filipe Nyusi (2015-present) reveals that the government expects French energy giant TotalEnergies to resume the development of its liquefied natural gas (LNG) project in Cabo Delgado province. This will be a major boost to the sector and underscores the gains made in improving security in the province in recent years. In a related development, finance minister Ernesto Max Tonela introduces a bill creating a sovereign wealth fund to the legislature. This proposed fund will manage much of the country's anticipated gas revenue. Mozambique's gas sector is dependent on the continued success of the counterinsurgency in Cabo Delgado. Notably, the country's army commander, Major-General Tiago Alberto Nampele, declares that the insurgency has been defeated. However, this declaration is premature as the insurgents have continued to carry out attacks on civilians and security forces. Finally, opposition Renamo party leader Ossufo Momade could face a challenge from Venancio Mondlane, the party's Maputo mayoral candidate in the recent municipal elections.*

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#### President claims TotalEnergies will resume operations in 2024

In a statement on 21 December, President **Filipe Nyusi** (2015-present) revealed that his government expects **French** energy giant **TotalEnergies** to resume development of its \$20 billion onshore liquefied natural gas (LNG) project in the first quarter (Q1) of 2024.<sup>1</sup> This project is located on the **Afungi Peninsula** in the **Palma** district of **Cabo Delgado** province. TotalEnergies suspended the development of the project in April 2021 following the 24 March attack by the **Ahlu Sunnah wa Jama'ah (ASWJ)** militant group on the nearby town of Palma in which scores of people were killed.

The TotalEnergies project is one of the largest planned LNG developments in the gas-rich Cabo Delgado province. The suspension of development at the site was a major blow to the sector and **Mozambique's** aims to become a major LNG exporter. The French company's declaration of force majeure on the project on 26 April 2021 dealt a further blow to the nascent sector.<sup>2</sup> The large onshore project helped secure the presence of multiple other suppliers and contractors in the province. As such, the project was viewed as an anchor for the wider industry in Palma.

Accordingly, Nyusi's statement that TotalEnergies is expected to resume will be a welcome development for the industry as a whole. It also indicates that the security situation in Cabo Delgado has improved to a point that satisfies the company's strict conditions. TotalEnergies has been explicit that it will only consider resuming development at its Afungi site once Mozambique can guarantee the safety and security of its workers, contractors and assets. The fact that the company looks set to resume operations is illustrative of the success of the counterinsurgency effort and the impact of the regional security forces which were deployed in mid-2021 following the attack on Palma.

The return of TotalEnergies will also be welcomed by the government, which is eager to access the anticipated revenue that will be generated by the project. If TotalEnergies does resume development at the site, it will be on track to begin producing LNG for export by 2028.<sup>3</sup>

However, the revelation of TotalEnergies' anticipated return has come too late to prevent the project from experiencing other setbacks. Most notably, **Indonesian** state-owned energy firm **Pertamina**

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<sup>1</sup> 360 Mozambique, 24 Dec 2023

<sup>2</sup> TotalEnergies, 26 Apr 2021

<sup>3</sup> Club of Mozambique, 10 Jul 2023

announced on 11 December that it had cancelled its 20-year offtake agreement with TotalEnergies.<sup>4</sup> Pertamina and TotalEnergies signed the agreement in 2019 under which the Indonesian firm would purchase 1 million tonnes of LNG per annum from the Afungi-based project. This offtake agreement was an essential component of the financial viability of the project. Pertamina will not incur any penalties for cancelling the contract since TotalEnergies declared force majeure in 2021. TotalEnergies is now under pressure to find a new customer to replace Pertamina; however, this is not expected to be difficult given the global demand for LNG and the desire of major consumers such as **European** states to diversify their gas supply base.

### Sovereign wealth fund bill introduced

Nyusi's revelation that the government expects TotalEnergies to resume operations is particularly pertinent given that finance minister **Ernesto Max Tonela** introduced the country's sovereign wealth fund bill to the legislature (the **Assembleia da República**) on 13 December.<sup>5</sup> The proposed fund is being set up to manage the country's LNG income. Under the proposed law, for the first 15 years, 40% of LNG revenue will be allocated to the fund with the remaining 60% going straight to the state's coffers. After this period, the LNG revenues will be split 50% each way between the fund and the treasury. It is currently unclear whether the fund will also receive the profits generated by the state-owned **Empresa Nacional de Hidrocarbonetos (ENH)** (national hydrocarbons company), which is a statutory investor in all current and planned LNG and oil projects.<sup>6</sup> Mozambique's gas industry is set to become its largest driver of revenue in the coming years. According to Tonela, the state's share of the LNG revenue is expected to peak in the 2040s at over \$6 billion a year.

Importantly, the fund will be managed by the central bank, the **Banco de Moçambique (BoM)**.<sup>7</sup> The government is hoping that this will assuage fears over the fund's independence and its vulnerability to corruption. Although better than the initial proposal for the fund to be state-managed, it does fall short of the calls by civil society for the sovereign wealth fund to be managed by an independent board accountable to parliament.

The creation of a sovereign wealth fund benefiting from energy revenues offers Mozambique a significant opportunity. Such a fund could help drive investment in Mozambique and also help the state secure a stable asset portfolio which would ensure benefits that outlast the gas and oil industry in the country. Elsewhere in the world such funds also help to shore up investment in education and healthcare, and fund state pensions and social security programmes. However, this will only be impactful if the necessary checks and balances are in place to avoid widespread corruption.

### Officials prematurely declare victory in Cabo Delgado

Mozambique army commander Major-General **Tiago Alberto Nampole** claimed on 19 December that the ASWJ insurgency had been defeated.<sup>8</sup> According to Nampole, Mozambique's security forces and its allies from the **Southern African Development Community (SADC) Mission in Mozambique (SAMIM)** and the **Rwanda Defence Forces (RDF)** had captured between 90% and 95% of the territory once held by the Islamist militant group.

Nampole is correct that the combined counterinsurgency forces have made substantial territorial gains reducing ASWJ-held land to a few areas in the **Catupa** forest and along the **Messalo River**. However, the army commander's declaration of victory is premature, as ASWJ remains an operational force in Cabo Delgado province. Illustrative of its continued capacity to carry out attacks in the province, the militant group attacked a **Forças Armadas da Defesa de Moçambique (FADM)**

<sup>4</sup> LNG Prime, 11 Dec 2023

<sup>5</sup> Reuters, 13 Dec 2023

<sup>6</sup> Club of Mozambique, 5 Aug 2023

<sup>7</sup> BNN Bloomberg, 13 Dec 2023

<sup>8</sup> City Press, 21 Dec 2023

(Mozambican defence armed forces) position in the village of **Nguri** (**Muidumbe** district) on 8 December killing five soldiers.<sup>9</sup> Other notable recent attacks include:

- On 5 January, insurgents killed an estimated five people in an attack on the town of **Chibanda** (**Mocimboa da Praia** district).<sup>10</sup>
- On 4 January, insurgents raided **Chai** village in **Macomia** district, killing one person and setting fire to buildings;
- On 3 January, ASWJ militants killed two people and destroyed several houses in an attack on the village of **Ntotwe** (Mocimboa da Praia district);<sup>11</sup>
- On 21 December, insurgents took a bus transporting student athletes in Mocimboa da Praia hostage only releasing the vehicle and its passengers after they had ascertained that the children were indeed Muslim.<sup>12</sup>

In addition, the **Islamic State (IS)** – to which ASWJ is affiliated – has made unconfirmed claims such as that ASWJ forces attacked and killed nine FADM soldiers in the **Mucojo-Sede** area of Macomia district on 26 December.<sup>13</sup>

The increase in attacks is believed to be in response to IS' call on its affiliates to join its new 'global offensive'.<sup>14</sup> This not only confirms ASWJ's continued capacity to carry out impactful attacks in Cabo Delgado province but also indicates that the insurgency group is continuing to build its ties to IS. This is concerning, as the closer ASWJ gets to IS, the more likely it is to adopt the tactics of the transnational terrorist organisation. IS has increasingly moved towards more conventional terrorist strategies such as carrying out bomb attacks. This shift has occurred as a result of the group's territorial and personnel losses. Should ASWJ emulate this shift, the group could begin carrying out such attacks, versus its current militant operations, which are ostensibly aimed at fighting for territory. Such a shift could result in the group attempting to stage bomb attacks in cities as far afield as the provincial capital **Pemba** or even **Maputo**.

### Renamo leader faces a potential challenge

**Venancio Mondlane**, the **Renamo** opposition party's Maputo mayoral candidate in the 2023 local elections, announced on 5 January that he is considering contesting the party's presidency.<sup>15</sup> Incumbent party leader **Ossufo Momade's** term officially ends at the end of February. As yet, Renamo has not announced a date for its party conference. Mondlane is a popular figure and is widely credited with Renamo's resurgent performance in the October 2023 municipal election. In fact, many independent observers believe that Renamo actually won the Maputo municipal election but was denied victory by widespread electoral malfeasance. As such, Mondlane could pose a serious challenge to Momade should he challenge him.

Momade is facing pressure within Renamo. He has been accused of failing to hold the government to account, especially regarding the disputed 2023 municipal elections and the government's failure to honour its commitment to pay former Renamo militants a liveable pension.<sup>16</sup> Renamo's inability to secure meaningful gains in the 2019 general election and the 2023 municipal elections has raised concerns over the opposition's long-term viability. Admittedly, these losses are partly due to electoral fraud. Renamo's decision to demobilise its forces stripped it of its most aggressive bargaining tool. Momade has not been up to the task of dealing with the government on a political level.

<sup>9</sup> Voz de Cabo Delgado, 12 Dec 2023

<sup>10</sup> Integrity Magazine, 7 Jan 2024

<sup>11</sup> Integrity Magazine, 4 Jan 2024

<sup>12</sup> Club of Mozambique, 22 Dec 2023

<sup>13</sup> Integrity Magazine, 28 Dec 2023

<sup>14</sup> Zitamar, 6 Jan 2024

<sup>15</sup> Club of Mozambique, 6 Jan 2024

<sup>16</sup> Club of Mozambique, 4 Jan 2024

The current leader nevertheless retains strong control over the party and its institutions, and any challenge to his rule would struggle to succeed. However, the fact that Mondlane is willing to openly consider a leadership challenge means that frustration with Momade is growing. The leader will need to ensure that Renamo secures meaningful gains in the upcoming 9 October general election, or he will face rebellion within the party.

## Planner

9 Oct 2024 **(Mozambique)** National general election;

## Chronology

8 Jan 2024 **Maputo (Mozambique)** *Integrity Magazine*. At least five people are killed and dozens more displaced by flooding in the districts of **Nampula, Nacala, Larde, Moma** and **Malema** in **Nampula** province;

6 Jan 2024 **Maputo (Mozambique)** *Club of Mozambique*. Authorities announce a new campaign to vaccinate 2.2 million people against cholera;

6 Jan 2024 **Maputo (Mozambique)** *Club of Mozambique*. The finance ministry admits it owes Mozambican teachers over \$1.42m in unpaid wages;

4 Jan 2024 **Maputo (Mozambique)** *Club of Mozambique*. Central Mozambique central water administration agency **ARA-Centro** calls for the evacuation of communities along the banks of the **Zambezi River** due to an elevated threat of flooding;

2 Jan 2024 **Maputo (Mozambique)** *Club of Mozambique*. The largest opposition party, **Renamo**, accuses electoral authorities of falsifying the results of the four 10 December municipal election re-runs to ensure that the ruling **Frelimo** party won;

2 Jan 2024 **Maputo (Mozambique)** *Club of Mozambique*. The defence ministry announces plans to recruit over 220,000 military conscripts in 2024;

30 Dec 2023 **Maputo (Mozambique)** *360 Mozambique*. Officials reveal that LNG exports in the first nine months of 2023 exceeded \$1.177 billion which is more than double the amount exported in all of 2022;

29 Dec 2023 **Maputo (Mozambique)** *Energy Capital & Power*. **Nigerian** energy company **Aiteo** secures a stake in the **Mazenga** gas block located in **Inhambane** province for an as yet undisclosed sum;

27 Dec 2023 **Maputo (Mozambique)** *Club of Mozambique*. The **Banco de Moçambique (BoM)** (central bank) reveals that foreign direct investment (FDI) in Mozambique doubled in the third quarter (Q3) of 2023 to \$701.5m;

22 Dec 2023 **Pemba (Mozambique)** *Carta de Moçambique*. Police officials in **Cabo Delgado** province ban the use of fireworks during the festive season in the districts of **Mocímboa da Praia, Macomia, Ibo, Palma, Meluco, Nangade, Muidumbe, Mueda** and **Palma**;

21 Dec 2023 **Maputo (Mozambique)** *Club of Mozambique*. Police officials announce that a **Portuguese**-Mozambican national who had been kidnapped in Maputo in November had been freed following a security operation;

20 Dec 2023 **Maputo (Mozambique)** *AIM*. Opposition party Renamo disrupts President **Filipe Nyusi's State of the Nation Address** before the **Assembleia da República** (parliament) to protest alleged fraud in the 11 October municipal elections;

19 Dec 2023 **Maputo (Mozambique)** *Club of Mozambique*. The **Cahora Bassa Hydroelectric Power Plant** announces plans to increase its production capacity by 5% through the increased investment of \$547m;

19 Dec 2023 **Chiure (Mozambique)** *Club of Mozambique*. A lynch mob kills two community leaders in the **Chiúre** district of **Cabo Delgado** province after false information circulated blaming them for a recent cholera outbreak;

19 Dec 2023 **Maputo (Mozambique)** *Carta de Moçambique*. The **Council of Ministers** adopts its new **Strategy to Combat the Financing of Terrorism 2024-2029** which will guide the government's anti-terrorism policies over the next five years;

18 Dec 2023 **Maputo (Mozambique)** *Portugal Resident*. **Portugal's** defence minister, **Helena Carreiras**, calls for the continuation of the **European Union Training Mission in Mozambique (EUTM-Moz)** beyond the end of 2024 when it is set to conclude;

13 Dec 2023 **Maputo (Mozambique)** *Reuters*. The government signs an accord with a consortium led by **French** energy giant **EDF** to develop the planned new \$5 billion **Mphanda Nkuwa Hydropower Project** in **Tete** province;

12 Dec 2023 **Maputo (Mozambique)** *Club of Mozambique*. **Instituto Nacional de Estatística (INE)** (national statistics institute) reveals that consumer price inflation increased for a second month in November, rising to 5.36%;

10 Dec 2023 **Maputo (Mozambique)** *Club of Mozambique*. Ruling party **Frelimo** wins all four repeated municipal elections amid a low voter turnout.

### About Africa Risk Consulting:

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