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The ruling Frente de Libertação de Moçambique (Frelimo) wins a vast majority of municipalities, according to preliminary results released on 15 October. The main opposition group, the Resistência Nacional Moçambicana (Renamo), alleges electoral fraud in several municipalities. The government signs oil and gas exploration agreements with United States-based oil major Exxon Mobil and Russia state-owned oil company Rosneft. The Instituto Nacional de Petróleo (INP) (national petroleum institute) states it is preparing similar agreements with South Africa-based Sasol and Italy-based Eni. The managing director of the Macuse-Moatize railway consortium, Thai Moçambique Logística SA (TML), says if coal companies do not commit to using the railway line, the project may fail.

Ruling Frelimo party wins majority of municipalities as Renamo alleges election fraud

The ruling **Frente de Libertação de Moçambique (Frelimo)** has reportedly won a vast majority of municipalities, according to preliminary results released on 15 October.¹ Frelimo has ruled **Mozambique** since independence from **Portugal** in 1975, but these are the first elections after the government reached a peace deal with the main opposition group, the **Resistência Nacional Moçambicana (Renamo)** in February (see *ARC Briefing Mozambique February 2018*).

Frelimo will be pleased with the results as it did not lose many areas to Renamo. The main loser appears to be the **Movimento Democrático de Moçambique (MDM)**, which lost the city of **Quelimane** to Renamo as well as several other cities.² The MDM also lost its position as main opposition party in areas such as the capital, **Maputo**.³ The MDM was able to make gains in 2013 due to a Renamo boycott of the elections. It has now lost most of its previous wins, although has remained in power in **Beira**.⁴

Renamo won in seven confirmed municipalities – **Quelimane**, **Angoche**, **Ilha de Moçambique**, **Nacala** (coastal city), **Chiure**, **Nacala** (inland city), and **Cuamba**.⁵ Renamo may also win the **Malema** municipality.⁶ Renamo has contested several other results and alleges that Frelimo fraudulently won some municipalities. According to Renamo national party agent, **Andre Magibire**, Frelimo-backed government employees broke into a warehouse to change the results of the **Moatize** election to a Frelimo win.⁷ Renamo's acting leader, **Ossufo Momade**, also disputed some of the results and warned that fraudulent practices may impact the peace talks:

"We do not want war but we also do not accept any attempt to change the popular will. If the popular vote is not respected, Renamo will break off the negotiations and the consequences will be entirely the responsibility of the Frelimo party."⁸

¹ IOL, 11 Oct 2018.

² AllAfrica, 11 Oct 2018

³ Club of Mozambique, 14 Oct 2018

⁴ AllAfrica, 11 Oct 2018

⁵ Club of Mozambique, 14 Oct 2018

⁶ Club of Mozambique, 14 Oct 2018

⁷ Club of Mozambique, 14 Oct 2018

⁸ Ossufo Momade quoted in AFP, 13 Oct 2018

Frelimo dismissed the allegations and did not seem concerned that peace talks would be suspended. Frelimo's propaganda and mobilisation secretary, **Caifardine Manasse**, stated that "*peace is irreversible*" and that

*"...Ossufo Momade is losing the chance to afford himself as a politician."*⁹

The election is a test of the peace deal between Renamo and Frelimo. Despite the peace agreement, Renamo has alleged fraud and police intimidation of its supporters during the campaign period and there were concerns that Renamo would boycott the election, as they did in 2013.¹⁰ There were also concerns of violence or conflict, leading **Brazil**-based mining giant **Vale** to suspend operations at its Moatize mine, though the mine may be operational by 15 October if there is no sign of conflict or violence.¹¹ While voter turnout was high and there were no instances of violence,¹² the fraud allegations may jeopardise the ongoing peace talks.

The results are a litmus test for the presidential elections in 2019. However, the tide may turn if Renamo can prove that some government employees fraudulently changed reports to allow for a Frelimo win, which may result in legal challenges, vote re-counts, and if there is no conclusion to the investigations, potential conflict as the peace talks dissipate.

Mozambique signs oil exploration agreement with US and Russian energy majors

The government signed oil and gas exploration agreements with **United States**-based oil major **Exxon Mobil** and **Russia's** state-owned oil company, **Rosneft**, on 8 October.¹³ The **Instituto Nacional de Petroleo (INP)** (national petroleum institute) stated that it was preparing similar agreements with **South Africa**-based **Sasol** and **Italy**-based **Eni**, which are expected to be signed on 15 October and 17 October respectively.¹⁴ Exxon Mobil and Rosneft initially won the oil licence tender during Mozambique's fifth licensing round in 2014, but the signing of the contracts was delayed due to negotiations over Mozambique's petroleum law and other legislation, which the oil companies found inconsistent.¹⁵ The Exxon Mobil/Rosneft agreement could lead to up to \$700m in investment as 10 wells are expected to be drilled – eight in the deep water **Angoche** and **Zambezi** basins, and two onshore in the Mozambique basin.¹⁶ Exxon Mobil will hold a 60% stake, Rosneft 20%, and state-owned oil company, **Empresa Nacional de Hidrocarbonetos (ENH)** will own a 20% stake in the projects, which are expected to begin in the next few years.¹⁷

The continual investment in Mozambique's oil and gas sector appears to be the government's life jacket as it continues to drown in debt, although the government cannot rely solely on the extractives industry to keep the economy running. While more than \$30 billion will be invested into the oil and gas sector to produce 20 million tonnes of liquefied natural gas, there will be little to no revenue for the government until at least 2022 if things go according to plan.¹⁸ President **Filipe Nyusi** (2015-present) is aware of this, and stated on 26 September that there are discussions with the **International Monetary Fund (IMF)** regarding economic reforms, though no loans are expected in the short- to medium-term.¹⁹ However, even without loans, economic reform that tempers government spending while improving transparency would bring Mozambique a step closer to an IMF loan as well as to economic recovery.

⁹ AIM, 13 Oct 2018

¹⁰ IOL, 11 Oct 2018.

¹¹ SP Global, 11 Oct 2018

¹² Club of Mozambique, 14 Oct 2018

¹³ Engineering News, 9 Oct 2018

¹⁴ Engineering News, 9 Oct 2018

¹⁵ Club of Mozambique, 31 Jul 2018

¹⁶ Engineering News, 9 Oct 2018

¹⁷ Offshore Technology, 10 Oct 2018

¹⁸ Engineering News, 9 Oct 2018

¹⁹ Reuters, 26 Sep 2018

Wary coal miners may jeopardise Macuse-Moatize railway

Jose Fonseca, the managing director of the **Macuse-Moatize** railway consortium, **Thai Moçambique Logistica SA (TML)**, said on 5 October that if coal companies do not commit to using the railway line, the project may fail.²⁰ TML is a subsidiary of **Thailand**-based **Ital-Thai Development**, which won the \$2.8 billion contract in 2013 and holds a 60% stake.²¹ TML awarded the building of the railway to **Portugal**-based engineering giant, **Mota-Engil SGPS SA** and **China**-based **China Machinery Engineering Corp** in 2017.²² TML is aiming to build a railway line from Moatize in northwest Mozambique near coal mines to Macuse on the coast, providing a 639 kilometre rail link for companies to send their coal for export.²³

However, mining companies have refused to commit to using the line to transport their coal. **India**-based **International Coal Ventures** and **Australia**-based **Talbot Group Investments** both have mines in Mozambique, but have refused to agree to use the railway line once it is complete.²⁴ While the companies have not officially commented on their reason for not agreeing, a Maputo-based analyst believes it is because the TML project is too ambitious.

"I think the companies are concerned that prices to use the railway line and port are going to skyrocket because TML has been too ambitious. It wants to export 40 million tonnes a year of coal into a market that is going off coal into renewables and gas. Agreeing to this line might also result in a glut of coal, dropping the price and hurting the mining companies in Mozambique."²⁵

However, the line, if built soon, could help to cement Mozambique as one of the main coal exporters. The Macuse-Moatize line would be much shorter than the current line, which runs through **Nacala** and costs \$50 per tonne to transport.²⁶ The new line would cost much less to transport and could actually help to make coal more profitable. Until much of the oil and gas projects come online in 2022, the government relies on coal exports to keep the economy from further decline. This new railway line would not only help to make coal transport more efficient, but will also provide needed employment and investment opportunities in the area.

Planner

17 Oct 2018 **Maputo (Mozambique) Instituto Nacional de Petroleo (INP)** (national petroleum institute) expects to sign oil exploration agreement with **Italy**-based **Eni**;
Oct 2019 General elections scheduled

Chronology

14 Oct 2018 **Maputo (Mozambique) EWN**. Opposition party **Renamo** accuses government of falsifying local election results and warns it may abandon peace talks;
11 Oct 2018 **Maputo (Mozambique) SP Global**. **Brazil**-based mining company **Vale** suspends operations at the **Moatize** mine due to local elections;
10 Oct 2018 **Maputo (Mozambique) The African Exponent**. Media reports that voter turnout for **Mozambique's** municipal elections are higher than expected;
8 Oct 2018 **Maputo (Mozambique) Reuters**. The government signs oil exploration agreements

²⁰ MoneyWeb, 5 Oct 2018

²¹ Construction Review Online, 2 Aug 2018

²² MiningMX, 5 Oct 2018

²³ MiningMX, 5 Oct 2018

²⁴ MoneyWeb, 5 Oct 2018

²⁵ Source, mining analyst, Maputo

²⁶ Construction Review Online, 2 Aug 2018

with **United States**-based oil company, **Exxon Mobil**, and **Russia**-based oil company, **Rosneft**;

6 Oct 2018 **Maputo (Mozambique)** *Reuters*. President **Filipe Nyusi** launches an initiative to disarm and reintegrate **Renamo** rebel fighters;

5 Oct 2018 **Maputo (Mozambique)** *MiningMX*. The **Thai Mozambique Logistica** consortium states that the \$2.8 billion **Macuse-Moatize** railway plan may fail if mining firms do not commit to the project within 12 months;

4 Oct 2018 **Pemba (Mozambique)** *News24*. The trial of 189 suspected **Islamic** militants accused of attacks in **Cabo Delgado** begins in **Pemba**;

30 Sep 2018 **Maputo (Mozambique)** *AllAfrica*. Opposition party **Resistência Nacional Moçambicana (Renamo)** denies claims that **Elias Dhlakama**, younger brother of late leader **Afonso Dhlakama**, wants to take over Renamo leadership;

26 Sep 2018 **Maputo (Mozambique)** *AFP*. The **United Nations (UN)** criticises **Mozambique** for failing to take action on attacks against rights activists and anti-government protestors;

26 Sep 2018 **Maputo (Mozambique)** *Reuters*. President **Filipe Nyusi** states that Mozambique is working with the **International Monetary Fund (IMF)** to bring economic reforms, though no loans are promised;

24 Sep 2018 **Maputo (Mozambique)** *MacauHub*. US-based ratings agency **Fitch** keeps **Mozambique's** long-term foreign currency credit rating at restricted default, which means that the government has defaulted but not entered into bankruptcy.