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AFRICAN FORUM AND NETWORK
ON DEBT AND DEVELOPMENT

Exploring the Nexus Between Oil and Gas Investments and Development in Mozambique

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ACRONYMS

CMA	Critical Minerals Africa
CAGR	Compound annual growth rate
EDM	Electricidadede Moçambique
ENH	Empresa Nacional de Hidrocarbonetos
FDI	Foreign Direct Investment
FID	Foreign Investment Decision
FRELIMO	Mozambique Liberation Front
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environment Fund
GTI	Global Terrorist Index
HCB	Hidroeléctrica de Cahora Bassa
HDI	Human Development Index
IMF	International Monetary Fund
LNG	Liquified natural gas
LPG	Liquid propane gas
MDM	Mozambique Democratic Movement
RENAMO	from the Portuguese Resistência Nacional Moçambicana, lit. 'Mozambican National Resistance'
SWF	Sovereign wealth fund
TCF	Trillion cubic feet

EXECUTIVE SUMMARY

This policy brief investigates the intricate relationship between oil and gas investments and Mozambique's development outcomes. Despite the country's vast natural wealth, Mozambique faces significant challenges in translating its resources into sustainable economic growth, a situation emblematic of the resource curse often observed in resource-rich sub-Saharan nations. The brief highlights how recent investments in the natural gas sector, notably at the Coral South offshore facility, have spurred economic growth but amplified regional disparities and exposed vulnerabilities such as corruption, governance instability, and debt dependence.

The study analyses the theoretical frameworks underpinning the resource curse, like the rentier state theory and the Dutch Disease, to contextualise Mozambique's experience. It examines the socio-economic implications of the extractive industries, including the enclave nature of resource projects that often marginalise local communities and worsen inequality. Additionally, the study addresses the political economy of the oil and gas industry in Mozambique, focusing on the intersection of these resources with civil unrest and governance challenges. The brief also highlights the critical importance of addressing gender disparities with the energy transition and the need for inclusive resource governance that prioritises the benefits of the local communities.

Through a comprehensive analysis of existing literature, policies, studies and evidence-based recommendations, the policy brief aims to guide policymakers in enhancing debt sustainability, fostering equitable resource distribution and aligning Mozambique's energy strategies with broader climate goals. It advocates for a balanced approach to resource management to mitigate the risks of the resource curse while promoting sustainable development in Mozambique.

Keywords:

Oil and Gas, Debt Sustainability, Rentier State Theory, Resource Curse, Resource Governance, Political Economy, Dutch Disease, Energy Transition

1.0 INTRODUCTION

Sub-Saharan Africa is a region blessed with massive resources. However, over the last six decades, these resources have not been able to translate into other significant components of the region's economic sectors.[1] Sub-Saharan Africa has a long history of external influence and neo-colonial control, often through colonial rule, foreign aid dependence, and imported governance systems. Unfortunately, these circumstances led to what is infamously known as the "paradox of plenty,"which is when a country rich in oil, gas and mineral resources experiences poor economic growth due to their resources. Ironically, countries without extractive resources perform relatively better economically than those with oil, gas, and mineral resources.[2] This is because these countries must develop their people to increase their wealth, hence focusing on natural and mineral resource development over human resource development.

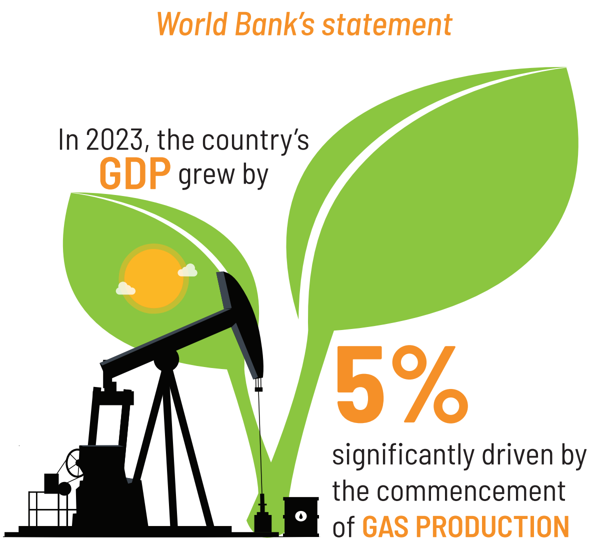
Mozambique is a low-income country, with most of the population living below the poverty line. However, its abundant natural resources have attracted global interest in this energy transition and sustainable development goals era. These resources are critical in determining Mozambique's future and propelling the country out of poverty. The World Bank states that in 2023, the country's GDP grew by 5%, significantly driven by the commencement of gas production at the Coral South offshore facility in November 2022.[3] However, since the inception of the natural gas investment, the proceeds have been unevenly distributed due to the deep spatial inequalities between subnational regions, including access to basic services such as education, health, water, and electricity. Besides the global health pandemic, Mozambique has been characterised by ongoing conflict in the country's rich gas region of Cabo Delgado. Huge debt scandals have characterised Mozambique's energy and natural resource sector,[4] as

1 Acheampong, A.O., Dzator, J., Abunyewah, M., Erdiaw-Kwasie, M.O. and Opoku, E.E.O., 2023. Sub-Saharan Africa's tragedy: Resource curse, democracy and income inequality. Social Indicators Research, 168(1), pp.471-509.

2 Wegenast, T., Khanna, A.A. and Schneider, G., 2020. The micro-foundations of the resource curse: Mineral ownership and local economic well-being in Sub-Saharan Africa. International studies quarterly, 64(3), pp.530-543.

3 World Bank. 2024. The World Bank in Mozambique.

4 Corbet, S. and Larkin, C., 2023. Understanding the Tuna Bond Scandal. Available at SSRN 4640799.



reflected by high susceptibility to corruption,[5] governance turmoil, state capture, civil conflict and unrest, and the high possibility of experiencing the resource curse.[6] The policy brief aims to explore the nexus between oil and gas investments and development in Mozambique by providing a comprehensive analysis grounded in both theory and history. The paper involves a comprehensive qualitative analysis of Mozambique's oil and gas sector, grounded in theoretical frameworks such as the Rentier State Theory and the Resource Curse. The study employs a case study approach, focusing on the political economy of Mozambique's natural resources, particularly in the context of spatial inequality, governance challenges, and the impacts of recent investments in natural gas. Data is collected from various primary and secondary sources, including academic articles, and government reports. This mixed-methods approach allows for an in-depth exploration of the socio-economic implications of resource management, while also considering historical and contemporary dynamics like the energy transition and the increased demand for critical minerals that shape the extractive industry in Mozambique. Additionally, the paper integrates statistical data, such as the Gini Index and GDP metrics, to quantify the effects of resource exploitation on inequality and economic growth. The brief provides recommendations for policymakers to enhance debt sustainability, align with climate goals, and maximise national benefits from extractive industries.

5 Nazir, A. and Yiega, V., 2020. Debt, Access to Information and Illicit Financial Flows: An Analysis Based on the Mozambique Hidden Loans Case. Financing for Development, 1(2), pp.237-242.

6 Armand, A., Coutts, A., Vicente, P.C. and Vilela, I., 2020. Does information break the political resource curse? Experimental evidence from Mozambique. American Economic Review, 110(11), pp.3431-3453.

2.0 THEORETICAL UNDERPINNINGS OF THE RESOURCE CURSE AND THE DUTCH DISEASE

This section explores the resource curse's theoretical underpinnings, including the mechanisms that hinder economic diversification, promote corruption, and lead to governance challenges in resource-rich nations. It offers insights into how nations like Mozambique can navigate and potentially mitigate the adverse effects of their natural resource wealth.

2.1 The Rentier State Theory

The theory contends that states that rely significantly on resource rents, especially from minerals, oil, and gas, are less motivated to foster broad-based economic development or build accountable governance structures. This dependence can stifle other sectors, creating a "paradox of plenty" where resource wealth coexists with poverty and instability. The "Resource Curse" has thus become a key concept in explaining why, especially in developing countries, resource-rich countries frequently face greater inequality, slower economic growth, and weaker institutions than resource-poor ones.

The rentier-state theory categorises the "rentier state" phenomenon as a systemic symptom of an economy having or susceptible to having the resource curse.[7] The theory considers the "rentier state" phenomenon as a key component of the resource curse, especially in developing natural resource-rich countries like Mozambique. In resource-rich regions like Mozambique's Cabo Delgado, foreign direct investments (FDI) bring in foreign income. However, their impact depends on various factors, such as the nature of the economy and the political will to promote sustainable development. Ross categorised this information into two: how foreign rents impact the state's ability to promote economic growth,[8] and how they influence state quality and good governance.[9] The rentier state is characterised by the direct flow of rent from foreign multinational oil companies to government coffers, which leads to corruption amongst the local elites.

7 Ross, M.L., 2018. The politics of the resource curse. The Oxford handbook of the politics of development, p.200.

8 Ross, M.L., 1999. The political economy of the resource curse. World politics, 51(2), pp.297-322.

9 Ibid.

Mozambique exhibits several characteristics of a rentier state, particularly in the way its natural resource wealth, including oil, gas, and minerals, is managed. Mozambique's natural resource management exemplifies many characteristics of a rentier state, particularly in how the country's wealth from natural resources like oil, gas, and minerals is governed and distributed. Despite having vast reserves of liquefied natural gas (LNG), the third largest in Africa, and projected tax revenues from the LNG sector estimated at $500 billion by 2045, the country has struggled with the equitable distribution of its resource wealth. A 2022 study by INCLUDE highlighted that the extractive industry absorbed about 70% of foreign direct investment (FDI) from 2010 to 2018, yet the sector's contribution to structural transformation, economic diversification, and improved livelihoods has been minimal.[10] The extractive sector accounts for less than 1% of total employment, and the royalties allocated to communities hosting large investments, at just 2.75%, are among the lowest in Africa and the world.[11] This limited benefit-sharing exacerbates inequality, with local communities in resource-rich regions, such as Cabo Delgado, receiving only marginal benefits from the revenue generated by natural resources.

Mozambique's governance of natural resources has often been criticised for its opacity and corruption, characteristics commonly associated with rentier states. According to Transparency International's Corruption Perceptions Index (CPI), Mozambique ranked 146th out of 180 countries in 2023, indicating a high level of corruption. This corruption is fuelled by the flow of rents from foreign multinationals to government elites, leading to the entrenchment of political and economic power within a small group, while broader development goals and public welfare are sidelined. The country has also faced challenges in its democratic institutions, ranked as a "hybrid regime" by the Economist Intelligence Unit's Democracy Index in 2022, reflecting a mix of democratic and autocratic features. These rankings suggest that Mozambique's governance structures, influenced by the resource curse, struggle to promote accountability, good governance, and equitable economic growth, further supporting the applicability of the rentier state theory in the country's context.

2.2 The Resource Curse and Dutch Disease in Mozambique

Compared to other countries, mineral and oil exporting countries suffer from high poverty, poor economic performance, poor health care, widespread malnutrition, poor educational performance and low life expectancy – *the resource curse*. According to Karl, oil exporting is generally defined as suffering from the paradox of plenty.[12] Countries that depend on oil revenue for survival are the most economically troubled, authoritarian, and conflict-ridden

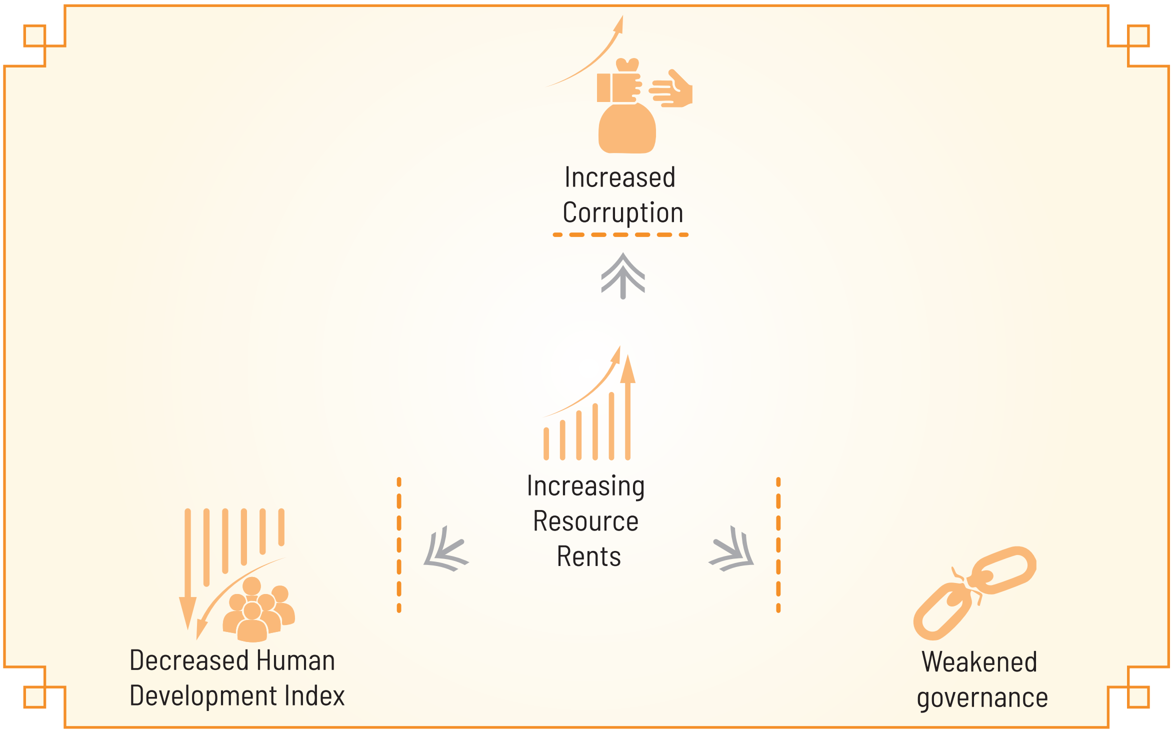
10 INCLUDE., 2022. African Policy Dialogues: Evidence Factsheet – Mozambique. December 2022.

11 Ibid.

12 Karl, T.L., 2005. Understanding the resource curse. *Covering oil: a guide to energy and development*, Open Society Institute New York 23.

globally.[13] He argues that the development level of oil exporter countries has been negative for the past 40 years;[14] and argues for a transparent fiscal regime to realise benefits.[15] The figure below demonstrates the downside of resource rents if not well managed – that increased oil and gas/resource rents often result into increased corruption levels, weakened governance, and decreased Human Development Index (HDI).

Figure 1: Fragile Relationship between Increased Resource Rents and State Fragility



Source: Author's Elaboration

Karl suggests a correlation between increased resource rents and decreased human developmental index, particularly in sub-Saharan African countries. The argument looks at other resource-rich countries such as Australia, Chile and Norway, which have been characterised by relatively stable democracies, consistency, and consensus on developing their oil, gas and mineral resources and tend to escape the resource curse.[16] The resource curse concerns the management of the natural resources, including the nation's over reliance on oil income reflected by the ratio of oil and gas exports to GDP.[17]

13 Ibid.

14 Ibid.

15 Karl, T.L., 2007. The political challenge of Escaping the resource Curse: The case for a Transparent Fiscal social contract. Stanford University.

16 Larsen, E.R., 2006. Escaping the resource curse and the Dutch disease? When and why Norway caught up with and forged ahead of its neighbors. American journal of economics and sociology, 65(3), pp.605-640.

17 Adams, D., Ullah, S., Akhtar, P., Adams, K. and Saidi, S., 2019. The role of country-level institutional factors in escaping the natural resource curse: Insights from Ghana. Resources Policy, 61, pp.433-440.

Norway, Chile, and Australia are living proof that the presence of these resources does not directly correlate with impoverishment. They have a long and successful history in mineral, oil, and gas, and other resources management and development. The countries not only developed their local talent to manage these oil and gas resources efficiently, but also diversified their industries.[18] Norway, for instance, had a thriving fishing industry even before the oil and gas exploitation. Most developing countries, such as Mozambique, do not possess any other thriving industry before the oil and gas industry to act as a buffer and avoid rent-seeking while developing these resources' local capability.

The Dutch disease, on the other hand, is a situation where the discovery of natural and mineral resources in a country leads to adverse impacts on other non-commodity sectors through price appreciation.[19] The discovery of these resources leads to a surge in demand, such as in the current instances with critical minerals and natural gas. Hence, these discoveries lead to an overvaluation of the currency due to the increased global demand.[20] This surge in demand inflates non-natural resource goods' prices, making their sector less competitive and inefficient, thus killing economic and sectoral diversification. Since the size of exports and the degree of openness of an economy are significant determinants of economic growth, natural resource wealth might, paradoxically, hurt economic development.[21]

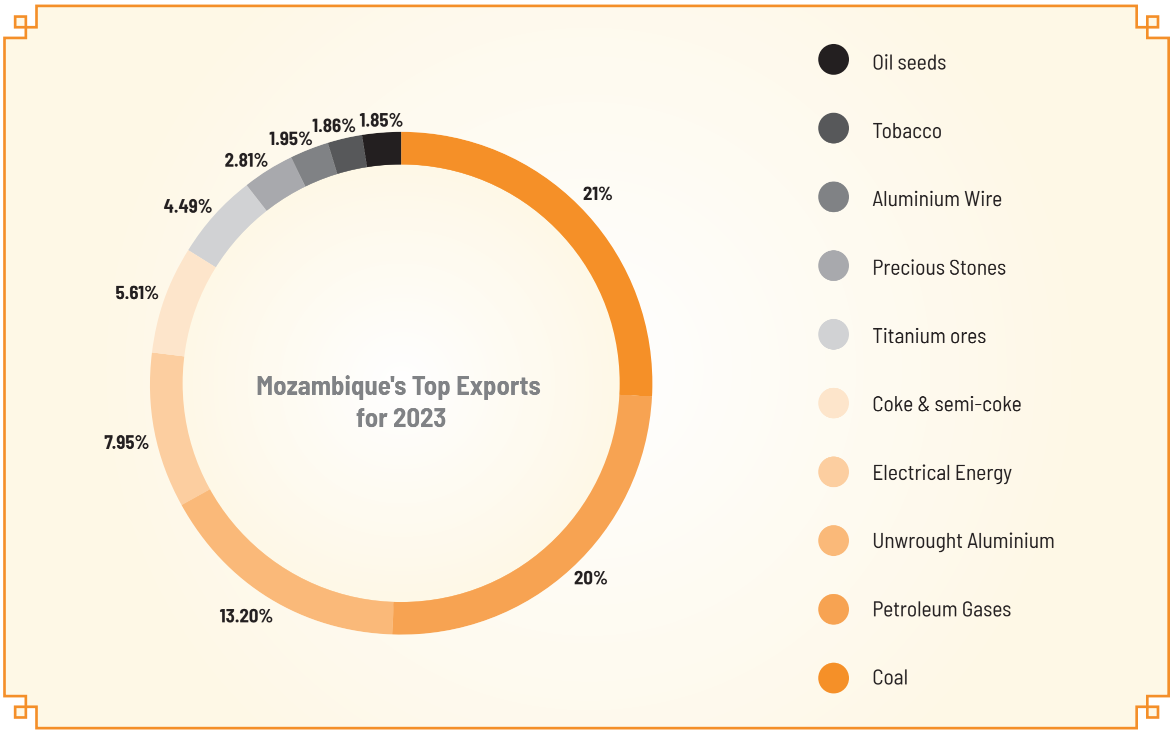
18 Wicken, O., 2016. Industrial diversification processes and strategies in an oil economy: Norway. In Economic diversification policies in natural resource rich economies (pp. 295-323). Routledge.

19 Bucuane, A. and Mulder, P., 2007. Exploring natural resources in Mozambique: will it be a blessing or a curse. Discussion papers, 54.

20 Cust, J., Devarajan, S. and Mandon, P., 2022. Dutch disease and the public sector: How natural resources can undermine competitiveness in Africa. Journal of African Economies, 31(Supplement_1), pp.i10-i32.

21 Ibid.

Figure 2: Mozambique's Top Exports for 2023



Source: Adapted from TrendEconomy https://trendeconomy.com/data/h2/Mozambique/TOTAL (last accessed 17/01/25)

The graph above clearly shows that Mozambique is highly at risk of experiencing the Dutch Disease. In 2023, Mozambique's top exports were led by coal ($1.76 billion), petroleum gases ($1.72 billion), and unwrought aluminium ($1.09 billion), totalling significant contributions from the extractive and energy sectors. Natural resources particularly energy and mineral resources are the country's biggest exports, showing little diversification in other non-commodity sectors. The country's dependence on these sectors exposes it to global commodity price fluctuations. Diversification of the export base could thus be beneficial for greater economic stability and growth.

3.0 MOZAMBIQUE'S POLITICAL ECONOMY

Mozambique gained independence from Portuguese colonial rule in 1975. Following independence, the country experienced a prolonged civil war between the ruling party, FRELIMO (Front for the Liberation of Mozambique), and the opposition, RENAMO (Mozambican National Resistance), which lasted until the signing of the Rome General Peace Accords in 1992. Since then, FRELIMO has maintained a dominant position in Mozambique's political landscape. FRELIMO has maintained power, first as the leader of a one-party state and then in a multi-party system since 1994, winning every presidential and legislative election.[22] Daniel Chapo of Mozambique's long-ruling FRELIMO party was sworn in as president 15th of January 2025, after the Constitutional Council validated the results of the October 2024 general elections. The build-up to the 2024 elections was marked by increasing political tensions and concerns over governance. Factors contributing to this situation include persistent economic challenges, corruption, and the unresolved conflict in Cabo Delgado. Managing natural resources, particularly in the oil and gas sector, has further intensified political competition and public dissatisfaction. These elements, coupled with long-standing grievances over political exclusion and economic inequality, triggered the post-election period protests and violence, which saw over 300 people dead.[23]

It is important to note that the presidential elections are crucial in shaping the current Mozambican political system. The winner of the presidential election essentially takes all the power. Although Mozambique has a proportional representation system for parliamentary elections, which gives opposition parties significant representation in the National Assembly (Assembleia da República), this is often disregarded. The President of the Republic holds the highest executive power, concentrating power in the executive rather than the legislative branch.[24] The 1999 presidential election, in which Afonso Dhlakama received nearly half of

22 Harrison, G., 1999. Mozambique between two elections: a political economy of transition. Democratization, 6(4), pp.166-180.

23 France24., Africa: Mozambique inaugurates President Daniel Chapo amid deadly unrest over disputed election. https://www.france24.com/en/africa/20250115-mozambique-inaugurates-president-elect-daniel-chapo-amid-deadly-unrest Accessed 18/01/2025

24 Harrison, G., 1996. Democracy in Mozambique: the significance of multi‐party elections. Review of African Political Economy, 23(67), pp.19-35.

the vote, was particularly significant. Many analysts believe Dhlamaka of RENAMO won the 1999 elections due to various irregularities that cast doubt on the results.[25] Since the second general election, voter turnout has decreased significantly. Notably, there is a wide range of voter abstention, reaching 80% in some of RENAMO's key regions, such as Nampula and Zambézia.[26] FRELIMO originated as a liberation movement led by urban intellectuals fluent in Portuguese, many of whom had attended Christian mission schools and had close ties to the left-wing factions of African liberation movements.[27] Upon the party's establishment as the official party after independence, tens of thousands of FRELIMO members were guaranteed employment in the public sector. The ethnic groups in the northern provinces (Makonde) and the southern provinces (Shangan, Ronga) are the strongholds of FRELIMO's historical leadership, resulting in the best electoral outcomes in these communities.[28] However, RENAMO was able to capitalise on early anger towards what was perceived as FRELIMO's urban bias. It consolidated support in rural areas, particularly where residents of the central and central-northern provinces felt marginalised and discriminated against.[29]

Additionally, it had the strongest military during the Civil War and the strongest support in

After the post-war elections in Mozambique, two main political parties, FRELIMO and RENAMO, faced a new challenge from a third political force, the Mozambique Democratic Movement (MDM).[30] The MDM was founded by Daviz Simango, the popular mayor of Beira, who split from RENAMO in 2009.[31] The party gained recognition as the nation's third-party force and positioned itself as a rival to FRELIMO and RENAMO. Initially, the MDM attracted young people, educated individuals, and urban dwellers. It gained control of major cities such as Nampula, Quelimane, and Beira in the 2013 municipal elections.[32]Daviz Simango, the party president, and his brother Lutero, a member of the National Assembly, are the sons of Uria Simango, a notable Beira-based nationalist leader who was killed during an internal faction conflict in 1977–1980. However, MDM has struggled to expand into rural areas, where FRELIMO

25 Harrison, G., 1999. Mozambique between two elections: a political economy of transition. Democratization, 6(4), pp.166-180.

26 Ibid.

27 Nuvunga, A., 2017. From former liberation movement to four decades in government: The maintenance of the FRELIMO state. In National liberation movements as government in Africa (pp. 57-71). Routledge.

28 Ibid.

29 Telepneva, N., 2020. Mediators of liberation: Eastern-bloc officials, mozambican diplomacy and the origins of soviet support for FRELIMO, 1958–1965. In Transnational Histories of Southern Africa's Liberation Movements (pp. 66-80). Routledge.

30 Chichava, S., 2010, April. MDM: a new political force in Mozambique? In IESE/CMI Conference on Election Processes, Liberation Movements and Democratic Change in Africa, Maputo (pp. 9-11).

31 Ibid.

32 Ibid.

and RENAMO have historically split the votes and maintained their focus on urban areas.[33] However, the party has established a distinct voice in Parliament that is critical of both major parties. Politicians of all parties frequently mention ethnic and regional identities. Still, there has been a strong sentiment against the overt use of ethnicity since Samora Machel declared his intention to "kill the tribe to build the nation."[34] This dynamic can be linked to broader regional trends, where states rich in natural resources, like Angola and Nigeria, also experience political competition shaped by resource wealth. The resource curse, characterised by economic mismanagement and political instability due to overreliance on resource revenues, often exacerbates ethnic and regional tensions. In these contexts, electoral systems similarly incentivise the formation of dominant parties or coalitions to maintain control over resource rents, mirroring the struggle for political supremacy seen in Mozambique.

33 Vines, A., 2013. RENAMO's rise and decline: the politics of reintegration in Mozambique. International Peacekeeping, 20(3), pp.375-393.

34 Darch, C. and Hedges, D., 2013. Political rhetoric in the transition to Mozambican independence: Samora Machel in Beira, June 1975. Kronos, 39(1), pp.10-19.

4.0 ANALYSIS OF THE RESOURCE CURSE CAUSES AND IMPLICATIONS ON MOZAMBIQUE'S DEVELOPMENT

The resource curse, a phenomenon where countries rich in natural resources experience less economic growth and worse development outcomes than countries with fewer natural resources, poses significant challenges for Mozambique. Despite the country's considerable wealth of oil, gas, and minerals, it has struggled to translate these resources into sustainable economic benefits for its population. This section delves into the underlying causes of the resource curse in Mozambique, including governance issues, corruption, and economic mismanagement. It examines how these factors have hindered development efforts, exacerbated inequality, and contributed to social unrest.

4.1 The Enclave Trickle-Down Effect of the Extractive Industry

Developing enclaves in Mozambique's natural and mineral resource sector has led to exclusive practices favouring local elites and foreign investors in accumulating capital. These enclaves provide safe spaces for capital flight in resource-rich countries like Mozambique by privately transferring capital and local resources to commodity markets.[35] It is important to note that these enclaves go beyond financial and economic aspects and affect socio-economic realities, excluding certain groups from benefiting from the extractive sector. For instance, the fifth-largest coal reserve, the Moatize metallurgical and thermal coal deposit containing 2.4 billion tons of coal and located within the Moatize sub-basin, was discovered in the province of Tete in 2006.[36] Foreign interests and investors acquired 60% of the province's land, which led to over 10,000 individuals being misplaced and evicted.[37] A Commission created to resettle the locals of Tete province did not include the Tete host community; instead, they came from high governmental ranks, and the private sector could not efficiently and justly relocate the Tete locals.[38]

35 Nielsen, M., Sumich, J. and Bertelsen, B.E., 2021. Enclaving: Spatial detachment as an aesthetics of imagination in an urban sub-Saharan African context. Urban Studies, 58(5), pp.881-902.

36 Lesutis, G., 2019. Spaces of extraction and suffering: Neoliberal enclave and dispossession in Tete, Mozambique. Geoforum, 102, pp.116-125.

37 Ibid.

38 Ibid

Mozambique's enclave extends to the massive gas projects, including the Rovuma LNG Project ($30 billion, involving ExxonMobil, ENI, and CNPC), the Coral FLNG Project ($4.7 billion, involving ENI and ExxonMobil), and the Mozambique LNG Project ($20 billion, involving Total, formerly Anadarko).[39] Despite the significant investments made in these initiatives, the local community in Cabo Delgado has not yet reaped the benefits of these agreements. The presence of the gas industry has negatively impacted some individuals due to the enclave nature of the gas industry, which has yet to create backward and forward linkages.[40] The discovery of gas in Cabo Delgado highlighted that, although exploration and extraction activities would occur offshore, a substantial number of people would need to be relocated to accommodate the onshore support infrastructure required for Anadarko/Total and ENI operations. Furthermore, besides the relocation, Mozambique quickly entered the oil and gas industry without adequately preparing its local population. This led to capital flight and the establishment of neoliberal economies dominated by foreign multinationals. These companies still rely on foreign labor, goods, and services even with local content provisions.

Mozambique's Ministry of Mineral Resources and Energy issued Ministerial Diploma No. 55/2024 (DM 55/2024), which outlines mechanisms for employment and education programs, national partnerships, and preferential contracting in petroleum operations. This diploma, aims to clarify obligations under the Petroleum Law aims to clarify the obligations provided for in Law No. 21/2014 (Lei dos Petróleos–"Petroleum Law"), Decree No. 34/2015 (Regulamento das Operações Petrolíferas–"Petroleum Operations Regulation"), and in the petroleum contracts, ensuring compliance by concessionaires through reporting and conduct adjustment.

4.2 The Enclave Nature of Mozambique's Oil and Gas Industry and Its Impact on Conflict and Political Economy

There is little to no literature on the enclave nature of the oil and gas industry and its impact on a country's political economy, such as Mozambique, where FRELIMO has maintained a strong grip on power since the 1970s. This lack of integration has contributed to conflict and bloodshed in Northern Mozambique.[41] With its massive gas reserves, the resource-rich region of Cabo Delgado was expected to change the region's long history of marginalisation, poverty, political displacement, and uneven regional development.[42] Since Mozambique's independence in 1975, FRELIMO has tightly controlled the country's political economy. The ongoing conflicts in Cabo Delgado have deep roots in the isolated development and power

39 Vigato, A., 2024. Mozambique—Completing the successful transformation of the development model. AFD MacroDev, (58), pp.1-16.

40 Ganhane, J.J. and Stage, J., 2024. Estimating resource rents for Mozambique. Resources Policy, 94, p.105137.

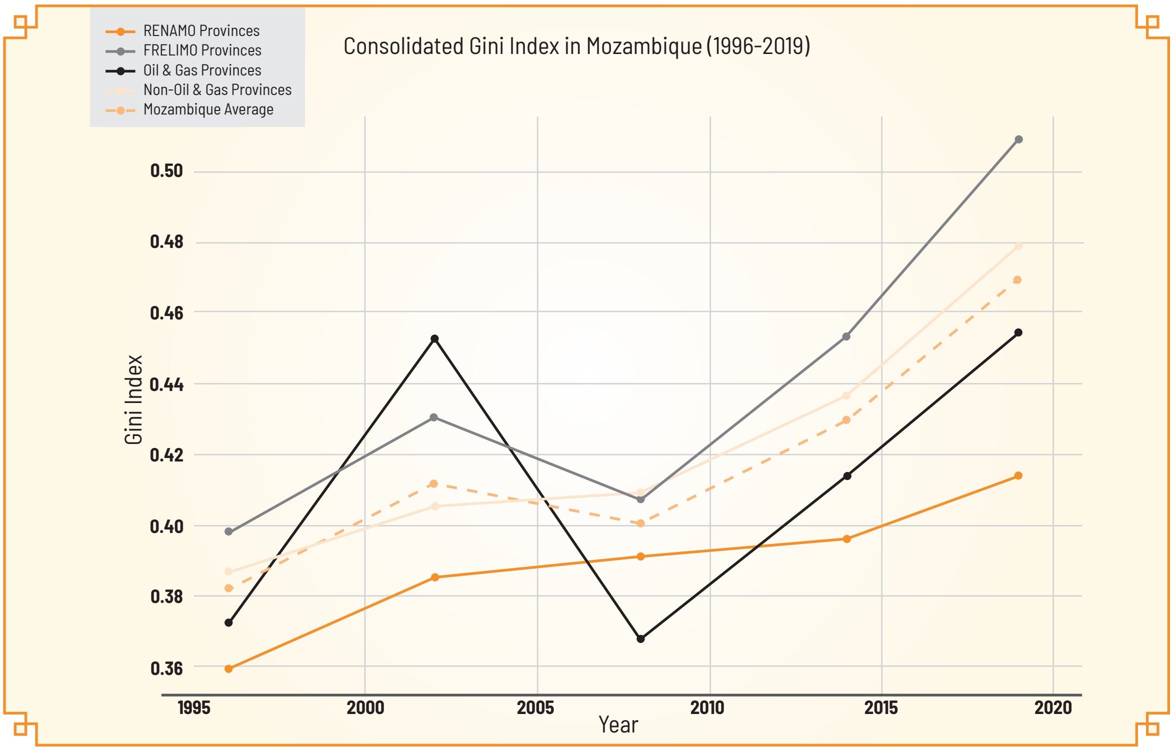
41 Sumich, J. and Honwana, J., 2007. Strong party, weak state? FRELIMO and state survival through the Mozambican civil war: an analytical narrative on. Crisis States Working Papers Series No, 2.

42 Sidumo, E. and Bertelsen, B.E., 2024. Between Resilience and Radicalisation: Reassessing the Trajectory of Internally Displaced Populations in Cabo Delgado, Mozambique. Kronos, 50(1), pp.1-27.

struggles within the country's leadership. However, recent natural gas discoveries have become a significant driver of conflict.[43]

Before resorting to violence in 2013, RENAMO spent over 20 years engaging in peaceful political struggle within a highly centralised political system dominated by FRELIMO.[44] The potential benefits from gas investments became a central political issue during RENAMO's initial strikes. Facing diminishing electoral success and influence, RENAMO turned to violence to demand a reorganisation of the state, seeking greater political power and access to future profits from gas extraction.[45] Notably, the recently established Northern Integrated Development Agency aims to boost youth employment in the province.[46] The Government's heavy focus on security, however, has further inflamed local grievances, often resulting in human rights violations against journalists, civilians, and suspected insurgents.[47]

Figure 3: Gini Index in Mozambique (1996/97 – 2019/20)



Source: Adapted from Barletta, G., Ibraimo, M., Salvucci, V., Sarmento, E. and Tarp, F., 2024. The evolution of inequality in Mozambique 1996/97–2019/20. Development Southern Africa, pp.1-35.

43 Agostinho do Amaral, S.M., 2024, June. Armed Conflict and Urbanization in Cabo Delgado, Mozambique: A Methodology for a Critical Inquiry. In Urban Forum (Vol. 35, No. 2, pp. 217-240). Dordrecht: Springer Netherlands.

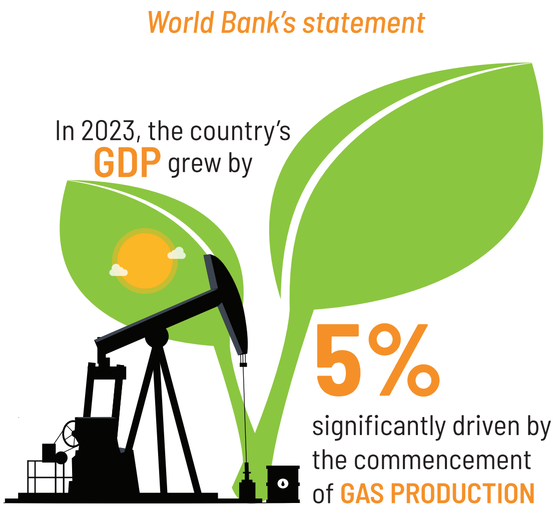
44 Ibid.

45 Blanes, R.L., Rodrigues, A.C. and Gonçalves, E., 2023. The multiple paths of extraction, dispossession, and conflict in Mozambique: From Tete's coal mines to Cabo Delgado's LNG projects. The Journal of Social Encounters, 7(1), pp.4-25.

46 Ibid.

47 Lubaale, E.C. and Akia, B., 2024. Sexual and gender-based violence in Cabo Delgado. Mozambique's Cabo Delgado Conflict: International Humanitarian Law and Regional Security.

The data provided above displays the Gini index for each province in Mozambique from 1996 to 2020. The Gini index measures inequality, with higher values indicating greater inequality.[48] Therefore, the graph shows the apparent income inequality among Mozambique's provinces and how it has changed over time. FRELIMO stronghold provinces have the highest Gini index, indicating the most significant income inequality, while RENAMO stronghold provinces like Nampula and Zambezia have lower Gini indices, reflecting less inequality. Higher Gini indices in more developed FRELIMO areas like Maputo City reflect the unequal distribution of wealth, characteristic of enclaves. In contrast, the lower indices in less developed, conflict-affected provinces reflect broader, more widespread poverty rather than concentrated inequality. This distinction highlights how income inequality and conflict can manifest differently across regions within a country. The correlation between income inequality and conflict comes from FRELIMO developing provinces of their political dominance, such as Maputo and the greater Maputo province.[49] However, in places such as Cabo Delgado, Nampula, Zambezia, and Niassa provinces the opposition's RENAMO strongholds have displaced over 530,000 people; this aggravates conflict within the country due to the income inequality.[50]



4.3 Mozambique's Debt Crisis

In the 1980s, Mozambique's external debt was over 60 per cent of the country's GDP. The debt averaged 15% of revenue in the 1980s-90s and increased at the war's end.[51] In 2001, the country received a debt cancellation of $4.3 billion and $2 billion under the Multilateral Debt Relief Initiative and the Heavily Indebted Poor Countries Initiative.[52] The IMF and WB

48 Barletta, G., Ibraimo, M., Salvucci, V., Sarmento, E. and Tarp, F., 2024. The evolution of inequality in Mozambique 1996/97–2019/20. Development Southern Africa, pp.1-35.

49 Monteiro, N.T., 2023. The Political Economy of Race and Global White Supremacy: The Case of Mozambique. University of California, Los Angeles.

50 Ibid.

51 Plank, D.N., 1993. Aid, debt, and the end of sovereignty: Mozambique and its donors. The Journal of Modern African Studies, 31(3), pp.407-430.

52 De Renzio, P. and Hanlon, J., 2007. Contested sovereignty in Mozambique: The dilemmas of aid dependence (No. 2007/25). GEG Working Paper.

loans towards children development programs in Mozambique were decreased, and children completing primary school fell from 25% in 1992 to 14% by 1999.[53] Mozambique's economy experienced rapid growth in the 2000s, but unfortunately, this did not translate to significant benefits for the average person. As of 2014, over 22 million individuals lived on less than $2 per day, a significant increase from the 15 million in 1996.[54] Mozambique's external debt is held by a mix of bilateral and multilateral creditors and private investors. Major creditors include the International Monetary Fund (IMF), the World Bank, and China.

Mozambique is home to some significant projects, including the LNG project, Africa's largest private investment, capable of producing 13 million tonnes per annum. The Coral South FLNG project is Africa's first floating LNG project. Mozambique is also involved in significant infrastructure projects such as the Nacala Corridor, which includes a railway, deep-water port, and a power plant – the first of its kind in the region.[55] The country is also home to the Maputo-Catembe Bridge, the longest suspension bridge in Africa, connecting Maputo to the Catembe District. Other notable projects include the Pemba logistic base and the Mozal Aluminium smelter, one of the largest in the world. Mozambique's mining industry is also strong, with Kenmare Moma Titanium leading.[56] These significant foreign investments have the downside of creating liabilities such as debt repayments or other financial outflows from multinational corporations.

In 2023, Mozambique's government debt to GDP ratio was documented at 93.90 percent of GDP. From 1999 to 2023, Mozambique's government debt to GDP averaged 84.15 percent of GDP; it peaked at 138.40 percent in 2001 and fell to a historic low of 37.50 percent in 2011.[57] As of 2023, Mozambique's external debt was estimated to be 66.4% of its GDP, while its domestic debt was estimated to be 27.5% of its GDP.[58] Mozambique's total debts to other nations, both public and private, increased from $14 billion to $34 billion between 2009 and 2013. By 2013, Mozambique had the highest net debt of any nation in the world, totalling $25 billion (the combined debt of the public and private sectors to the rest of the world minus

53 Ibid.

54 Ibid.

55 Sonne-Schmidt, C., Arndt, C. and Magaua, M., 2009, April. Contribution of mega-projects to GPD in Mozambique. In IeSe conference Dinâmicas da Pobreza e Padrões de Acumulação económica (pp. 22-23).

56 Ibid.

57 Trading Economics., Mozambique Government Debt to GDP (Online) https://tradingeconomics.com/mozambique/government-debt-to-gdp# (Accessed 16/01/2025)

58 International Monetary Fund. African Dept.,2024. Republic of Mozambique: Staff Report for the 2024 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Extended Credit Facility, Requests for Modifications of Quantitative Performance Criteria, Waiver of Non-observance of Quantitative Performance Criteria, and Financing Assurances Review —Debt Sustainability Analysis. *IMF Staff Country Reports*, 2024(219), A003. https://doi.org/10.5089/9798400285233.002.A003

the debt owed to them).[59] This amounted to a staggering 160% of GDP. The burden of these debts, combined with the mismanagement and corruption scandals, such as the infamous "Tuna Bonds" scandal, has strained Mozambique's economy, limiting its ability to invest in essential public services and development projects. In April 2016, it was discovered that three state-owned businesses in Mozambique had received $2 billion in loans from the London offices of Credit Suisse and VTB Capital, most of which had not been publicly disclosed.[60] The loans were backed by guarantees from the Government, to fund maritime projects, including a state-owned tuna fishing fleet and maritime security. According to Mozambique law, the loans were not authorised by the Parliament and a large portion of the funds was allegedly misappropriated. Mozambique won a $3.1 billion case against UAE shipbuilder Privinvest in London's High Court; the company was accused of paying more than $200 million in bribery to key Credit Suisse bankers and Mozambican officials between 2013 and 2016.[61]

4.4 The connection between Mozambique's Debt Crisis and Civil Unrest

The debt crisis in Mozambique does not directly cause conflict in the gas-rich northern Cabo Delgado. However, it worsens the socio-economic grievances in Mozambique's partisan developmental model, marginalising provinces that do not support FRELIMO. Some studies highlight the relationship between economic vulnerabilities and extremist violence in Mozambique, where problems of corruption and weak security are deeply intertwined.[62]

The civil and political conflict in the gas region of Cabo Delgado is exacerbating the country's woes and contributing to its high risk of debt distress. Many African countries, including Mozambique, are performing quite poorly on the Global Terrorism Index (GTI) of 2024. For instance, the defence sector had a budget of $128.7 million when the conflict started in 2017, accounting for 3.4% of all state spending that year. The defence sector's budget, implemented four years later in 2020, was $329.7 million or 6.0% of all state spending for that year. As a result, there was a 154.94% rise in just four years.[63] Increased military spending has disrupted significant economic sectors, chasing away investors while aggravating a humanitarian crisis. It also decreases spending and urgency on other critical services like infrastructure, education, and health.

59 Wache, P.M., 2015. A Case Study of Mozambique. Promoting Stability and Development in Africa: How to Foster Cooperation Between Public and Private Sectors, pp.67-91.

60 Cortez, E., Orre, A., Fael, B., Nhamirre, B., Banze, C., Mapisse, I., Harnack, K. and Reite, T., 2021. Costs and consequences of the hidden debt scandal of Mozambique.

61 Nick Job., 2024. The Tuna Bonds Scandal: A Landmark Case Against Corruption. Moore South Africa. https://www.moore-southafrica.com/news-views/august-2024/the-tuna-bonds-scandal-a-landmark-case-against-cor (Accessed 16/01/25)

62 ISS.2024. I, Ras & Jana De Kluiver. https://issafrica.org/iss-today/when-debt-and-terrorism-intersect-the-case-of-mozambique

63 Cardoso, F.J., 2021. Cabo Delgado: Insurgents, Jihadists or Terrorists? IMVF-Instituto Marquês de Valle Flôr, Paper, 9, p.2021.

5.0 MOZAMBIQUE'S OIL AND GAS INDUSTRY

Mozambique's oil and gas industry has emerged as a focal point of national interest and international investment, particularly following the discovery of vast natural gas reserves in the Rovuma Basin. This section provides an overview of the current status of the oil and gas sector, highlighting key projects, foreign investments, and the strategic importance of liquefied natural gas (LNG) exports. It also studies the social and gendered implications of the sector. As Mozambique seeks to position itself as a significant player in the global energy market, it must confront challenges related to governance, local community engagement, and the equitable distribution of resource revenues.

5.1 Resource Reserves and Status of Development

Mozambique's Rovuma Basin is home to over 180 trillion cubic feet (TCF) of natural gas reserves, divided between two main concessions: Area 1, led by TotalEnergies with a $20 billion investment for LNG trains, and Area 4, managed by Eni with ExxonMobil overseeing onshore facilities. TotalEnergies plans to construct up to six LNG trains at Afungi, supported by a joint venture with Saipem and McDermott. Meanwhile, Sasol operates in Inhambane Province with proven reserves of 2.6 TCF and is developing a $700 million integrated oil and LPG project. In 2018, the INP awarded exploration contracts to four consortiums, but as of July 2023, only Eni has begun exploration. The state-owned Empresa Nacional de Hidrocarbonetos (ENH) represents the Government in these activities and is involved in expanding the oil and gas terminal at the Port of Pemba. Additionally, the Government plans to utilise some natural gas for local needs and is discussing a sovereign wealth fund (SWF) bill to manage future gas revenues. Below is a table showing the key milestones.

Figure 4: Mozambique's Natural Gas Milestones

Date	Milestone	Amount	Key Actors
2017	FID for six subsea wells (Area 4)	$8 billion	Eni
2018	INP awarded exploration contracts to four consortiums (cabinet approval in August)	N/A	ExxonMobil (60%) and Rosneft (20%) consortium; ENI (34%), Sasol Petroleum (25.5%) & Statoil (25.5%); & state owned Empresa Nacional de Hidrocarbonetos (ENH), was awarded an onshore block. It also holds a 20% stake in all four other blocks.
2019	Area 1 LNG project (up to six trains) final investment decision (FID) for the first two trains	$20 billion	TotalEnergies
Nov 2022	First Floating LNG (FLNG) facility began exporting LNG, with plans for a second FLNG vessel submitted.	N/A	Eni
2021	TotalEnergies declared force majeure due to delays	N/A	TotalEnergies
2023	Preparations to lift force majeure	N/A	TotalEnergies
2024	Relaunch of Sasol's integrated oil & LPG project	$700 million	Sasol
Q4 2024	Plans to relaunch Total's project	N/A	TotalEnergies
Early 2025	Planned FID for two onshore LNG trains (Area 4)	$25 billion	Eni, ExxonMobil

Total Gas Reserves: Over 180 TCF (Rovuma Basin)

Domestic Use Reserved: 400 MMCF

U.S. Investments: $1.5 billion risk insurance (ExxonMobil, Area 4), $4.7 billion loan (TotalEnergies, Area 1)

Other Operators: Sasol operates in Inhambane Province with 2.6 TCF reserves and a $1.4 billion LPG project, while the Government is discussing establishing a Sovereign Wealth Fund (SWF) to manage gas revenues.

5.2 Political Implications of Gas Discoveries in Mozambique

Mozambique discovered significant gas finds in the Rovuma Basin, off the country's northern coast. With projected reserves reaching 100 trillion cubic feet, these discoveries established Mozambique as a potential major global natural gas market player. The nation's gas resources are viewed as a game-changing prospect that may enhance energy security, raise government revenue, and spur economic growth. The difficulties in converting natural wealth into sustainable development are highlighted by the fact that the administration of these resources has also increased political tensions and conflicts, especially in the resource-rich Cabo Delgado region.

The situation in Mozambique has deteriorated since the gas discoveries due to political, security, and geopolitical factors. Former President Filipe Nyusi seemed to disregard pressure from Western powers and traditional donors like the International Monetary Fund (IMF) as China and Russia gained influence in the country.[64] Due to their historical alliance with the ruling FRELIMO party, China and Russia are less critical of Mozambique's military actions, human rights record, and governance. The rise of radical Islamism in the gas-rich province of Cabo Delgado, mainly targeting oil businesses, reflects the shifting power dynamics. Foreign mercenaries, including Erik Prince's Frontier Service and Russia's Wagner company, were hired due to the inefficiency of Mozambique's army and intelligence services, highlighting the complex and volatile situation in the country.[65]

5.3 Socio-economic Challenges in Mozambique Amid Gas Developments

Although the Mozambican Government has promoted LNG as the solution to its economic woes, the analysis suggests substantial financial benefits may not be achieved. Furthermore, the Government's decision to accommodate foreign interests puts Mozambique in a precarious position, even though the nation may benefit in the distant future and its current debt obligations remain with the state rather than the multinational fossil fuel corporations that stand to gain immediately.[66] Since discovering the gas resources, Mozambique's development plan has primarily relied on the purported financial benefits from upcoming gas projects. These projects were anticipated to increase GDP, promote industry, and create jobs. This has not happened over a decade later, and the country's socio-economic status has worsened.[67] Poverty, unemployment, inequality, and debt have all increased, even if GDP growth has halted. Cabo Delgado, where LNG construction is focused, is the most impacted coastal area. The societal impact of LNG advancements cannot be overstated.

64 Hanlon, J., 2017. Following the donor-designed path to Mozambique's US $2.2 billion secret debt deal. Third World Quarterly, 38(3), pp.753-770.

65 Ibid.

66 Bucuane, A. and Mulder, P., 2007. Exploring natural resources in Mozambique: will it be a blessing or a curse. Discussion papers, 54.

67 Ibid.

5.4 Mozambique's Gendered Implications of the Oil and Gas Developments

Mozambique's political economy is greatly intertwined with its reliance on the extractive industry. This has led to unsustainable borrowing and spending practices driven by high expectations of future resource wealth. The global energy transition movement and the resulting debt crisis have important gendered implications. Despite making significant progress towards gender equality, Mozambique, like many other oil and gas-rich countries, including Uganda, Ghana, Nigeria, Tanzania, and South Sudan, still faces significant challenges. While the country has strong laws on marriage equality, labour, land rights, and child marriage, there are still notable gender disparities in areas such as economic opportunities, health, education, and women's political voice and autonomy in important life decisions.[68] The debt crisis and energy transition have social and political ramifications for women beyond their economic effects. Women may be more susceptible to exploitation and abuse as a result of social unrest and economic distress, which can also raise the likelihood of gender-based violence.[69] Many women in Mozambique face challenges such as low levels of education and training, high childbearing rates, significant household responsibilities, and segregation in the job market, and compared to men, women have fewer economic opportunities.[70]Despite limited access to land, credit, and vital resources like climate-smart technologies, the majority of women are employed in agriculture. They are especially vulnerable to the effects of climate change and can only partially contribute to climate adaptation or the development of alternative revenue streams.

The rise of Muslim extremism in northern Mozambique, particularly in Cabo Delgado, has significantly disrupted the region's social fabric. The insurgency, which has led to violence and displacement, disproportionately affects women and those who do not conform to traditional gender roles or sexual preferences. Women face increased risks of exploitation, gender-based violence (GBV), and forced displacement. Despite the economic potential of the oil and gas sector, the benefits have not been equitably distributed. Data shows that a small percentage of the jobs created in this industry have gone to women, making up only about 10% of the workforce.[71] This is attributed to social and cultural norms, lack of education and training, and discrimination in the workplace.[72] The industry remains heavily male-dominated, limiting women's opportunities to gain employment in higher-paying, technical, and managerial roles.

68 Lachler, U. and Walker, I., 2018. Mozambique Jobs Diagnostic: Volume 1. Analytics. World Bank.

69 Rutherford, B. and Chemane-Chilemba, L., 2022. The governance of artisanal and small-scale mining in Manica District, Mozambique: implications for women's livelihoods. In The (In) Visibility of Women and Mining (pp. 136-153). Routledge.

70 Jones, S. and Sen, K., 2024. The Gendered Impact of Digital Jobs Platforms: Experimental Evidence from Mozambique. The World Bank Economic Review.

71 Women Leaders Network for Development., 2023. Shattered silence, rising voices: From harassment to exploitation, women in Mozambique and Angola's oil, gas, and mining sectors are demanding change, pushing for safe working conditions and equal opportunities.

72 Ibid.

The difficulties faced by women-led businesses (WLBs) involved in the energy industry as well as those aiming to join this and other local, regional, and global value chains are examined in a 2024 report published by the International Trade Centre.[73] These difficulties include the need for strong managerial and technical skills to join value chains, stringent financial requirements, a lack of markets and information access, regulatory obstacles, and gender-based obstacles.[74] It is implied by gender inequality that WLBs face greater challenges than companies run by males. Environmental, Social, and Governance (ESG) and Corporate Social Responsibility (CSR) deals made by investors in the oil and gas sector have often included provisions aimed at benefiting women. However, the implementation and effectiveness of these commitments have been inconsistent. While some programs have delivered positive outcomes, many have failed to significantly improve women's lives, with promises of direct benefits frequently falling short due to inadequate enforcement and accountability.

Instances of GBV have reportedly increased at a faster rate in oil and gas regions like Cabo Delgado compared to non-oil and gas regions. Between 2017 and 2021, more than 735,000 people had been displaced by widespread violence and armed conflict in Cabo Delgado, the majority of whom were distributed across different province districts.[75] Sexual violence, forced marriage, early marriage, denial of resources, opportunities, or services, intimate partner abuse, and physical assault are only a few of the several types of gender-based violence that have been recognised, with women and girls being the most vulnerable. The influx of workers, coupled with social and economic disruption, has also contributed to a rise in violence against women, exacerbating pre-existing vulnerabilities. The oil and gas-related debt crisis has led to austerity measures, disproportionately affecting women. Budget cuts have reduced access to essential services such as Sexual and Reproductive Health and Rights (SRHR) services. Women have faced increased care burdens, as reduced government spending on health and social services has forced them to take on more unpaid care work at home, further limiting their economic participation and opportunities.

73 International Trade Centre., 2024. Women-led businesses in Mozambique's energy sector: Challenges and Opportunities. ITC, Geneva.

74 Ibid.

75 UNHCR., 2021. Gender-Based Violence (GBV) Incidents Trends Analysis. Cabo Delgado | July – December 2021

6.0 EXAMINATION OF THE JUST ENERGY TRANSITION, CLIMATE FINANCING AND CRITICAL MINERALS DEVELOPMENT IN MOZAMBIQUE

As the world pivots towards a sustainable energy future, Mozambique finds itself at a critical crossroads, balancing its resource-rich status with the urgent need for a just energy transition. This section explores the interplay between climate financing, critical minerals development, and the nation's energy policies. While Mozambique has significant potential in renewable energy sources and critical minerals essential for green technologies, the challenge lies in ensuring that these developments are inclusive and equitable. The section examines the current initiatives, financing mechanisms, and policy frameworks to shed light on how Mozambique can navigate its energy transition while addressing social and environmental justice concerns, ultimately paving the way for sustainable development that benefits the entire population.

6.1 Financing Mozambique's Energy Transition

The energy matrix of Mozambique relies mainly on renewable sources, particularly hydro and biomass. However, the long-term shift to sustainable energy is affected by the growing availability of recently discovered fossil fuels such as coal and gas. The energy transition in Mozambique presents significant challenges, especially given the country's reliance on oil and gas as key contributors to its economy. A shift away from fossil fuels may lead to disruptions in employment and revenues, particularly in sectors tied to petroleum and natural gas extraction. Nakanwagi notes that nascent petroleum producers are under pressure today to transition to cleaner sources of fuel, even though she argues that these still face a challenge of balancing their development needs and the wider climate action-oriented initiative.[76] She argues that the countries should "have a systematic investment in renewables, and, most importantly, pursuing their individual transition paths considering their unique growth needs and

76 Nakanwagi, S., 2021. Navigating the energy transition in Africa the fate of nascent petroleum economies in an accelerating global transition. Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) University of Dundee.

resources".[77] This includes relying on extractive resources like oil, gas, minerals for domestic growth and development by the countries. One of the major challenges of meeting energy transition goals, especially for developing countries and small island states, is accessing finances for the programs, policies and activities. Nakanwagi observes that sustainable financing for energy is essential for meeting sustainable development goals (SDGs) 7 (clean energy) and 13 (climate action), especially for disadvantaged countries and communities.[78]

The primary source of hydropower is the Hidroeléctrica de Cahora Bassa (HCB) located in the Tete province.[79] This is followed by smaller dams around the country, including Mavuzi, Chicamba, Corumana, Lichinga, and Cuamba. Electricidadede Moçambique (EDM), a public enterprise, manages the generation, distribution, and commercialisation of the hydroelectricity produced.[80]The Hidroeléctrica de Cahora Bassa (HCB), located in Tete province, is the main source of hydropower in Mozambique. Smaller dams such as Mavuzi, Chicamba, Corumana, Lichinga, and Cuamba contribute to the nation's power supply.[81] Electricidade de Moçambique (EDM), a public company, is responsible for power generation, distribution, and sales. Except for the diesel-powered Nacala floating power station, the national grid supplied by HCB provides electricity to all provincial capitals and district headquarters across the country.[82] Mozambique's energy primarily comes from renewable sources, mainly hydro and biomass. However, the country's long-term shift towards renewable energy is hindered by limited production and use of solar power despite the increasing availability of recently discovered fossil fuels such as coal and gas. Mocuba (Zambézia) and Metoro (Cabo Delgado) are EDM's pioneering projects for properly integrating renewables with the national grid, aiming to increase the share of renewables in the energy mix.[83] Solar power, specifically photovoltaic stations, is a recent development in Mozambique and has only begun operations in these two areas. Pemba City and Cabo Delgado will benefit from Metoro's photovoltaic facility.[84] Biomass, sometimes sourced from the Maragra sugar plantation when surplus bagasse (waste from sugar processing), is the least represented renewable source in EDM's energy matrix

77 Ibid.

78 Nakanwagi, S., 2023. Utilising Recognition Justice to Bridge Climate and Energy Financing Gaps in the Global South. In *The Power of Energy Justice & the Social Contract* (pp. 171-177). Cham: Springer Nature Switzerland.

79 Sulemane, M.S.D.I., 2024. Electricity Access Expansion and the State-Society Relations in Mozambique (Doctoral dissertation, NAGOYA UNIVERSITY).

80 Ibid.

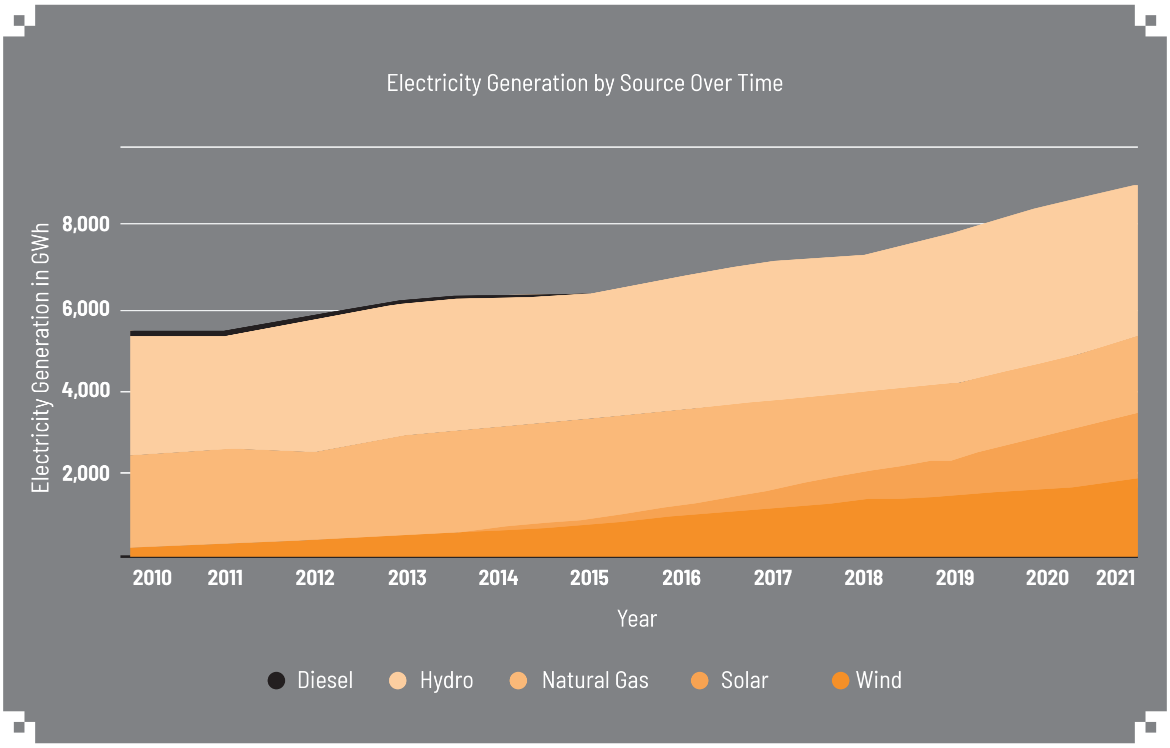
81 Isaacman, A. and Isaacman, B., 2013. Cahora Bassa: Extending South Africa's Tentacles of Empire. Retrieved November 15, p.2014.

82 Ibid.

83 Cristóvão, L., Chichango, F., Massinga, P. and Macanguisse, J., 2021. The potential of renewable energy in Mozambique: an overview. Journal of Energy Technologies and Policy, 11(2), pp.30-37.

84 Ibid.

Figure 5: Electricity Generation by Source over time.



Source: Adapted form EDM

Aiming to raise $80 billion in investments to increase the availability of electricity and boost renewable energy sources, Mozambique has unveiled a bold new energy transformation strategy through 2050.[85] President Filipe Nyusi introduced the energy policy at the COP28 climate summit in Dubai. The national electrical grid will be extended to 2,000 megawatts of new hydropower capacity will be added through the completion of the new Mphanda Nkuwa Hydropower Project and the modernisation of existing plants, and the emissions from the transportation sector will be decreased by switching to electric vehicles.[86]

Mozambique is making significant efforts to address climate change and secure climate finance but continues to face challenges in accessing the necessary support. In a ground-breaking move, Mozambique entered its first debt-for-climate swap with Belgium in June 2023.[87] This agreement redirects €2.4 million of Mozambique's €5.6 million debt to finance climate projects within the country. Instead of repaying the Belgian Government, Mozambique will channel annual payments of €500,000 to Enabel, the Belgian development agency, for

85 Aljazeera.2023. Mozambique to present new $80bn energy transition plan at COP28: President Nyusi is expected to officially present the energy strategy to the international community during COP28. https://www.aljazeera.com/news/2023/11/27/mozambique-to-present-new-80bn-energy-transition-plan-at-cop28

86 Ibid.

87 Karaki, K. and Bilal, S., 2024. The EU and debt-for-climate swaps: Geopolitical ambitions and development impacts (No. 179). ECDPM Briefing Note.

climate action initiatives.[88] This approach aligns debt relief with sustainable development and climate resilience. Despite significant efforts, securing adequate climate finance remains a major challenge for Mozambique. The country has managed to mobilise around US$350 million from climate funds such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), and the Adaptation Fund.[89] However, this amount only covers about 5% of the country's estimated climate finance requirements. Critics of climate debt swaps argue that while they can provide short-term relief and redirect funds towards essential climate initiatives, they often do not address the broader structural issues of debt dependency and financial inequality. These arrangements can perpetuate a cycle where developing countries remain reliant on the goodwill of creditor nations instead of fostering long-term financial autonomy.[90]

Despite reducing carbon emissions and implementing projects related to green energy, the blue economy, and ecosystem-based adaptation, Mozambique faces limited financial support from developed countries, hindering its progress. The failure of developed countries to fulfil climate finance pledges, intensifies the challenges faced by Mozambique and other developing nations disproportionately affected by climate change. At COP29, African countries aimed to secure US$1.3 trillion per year in climate finance to address climate change, loss and damage, and mitigation. However, the conference concluded with a commitment of only US$300 billion per year by developed nations, far below the needed amount. The insufficient funding means African nations face significant challenges in coping with climate change, as the pledged amount barely exceeds their annual debt servicing costs, exacerbating their economic vulnerability.

6.2 Mozambique's Graphite Boom

Mozambique's vast reserves of critical minerals like graphite, lithium, and rare earth elements present a significant opportunity for economic diversification and sustainable growth, particularly as the world transitions to renewable energy. However, the country must navigate the potential "resource curse," where heavy reliance on resource extraction could lead to economic instability, corruption, or social unrest. Diversifying its economy by expanding the development of these critical minerals, while also continuing to invest in oil and gas, can help Mozambique mitigate the risks of overdependence on any single sector. Mozambique is rich in rare earth elements, lithium, tantalum, graphite, and other essential minerals needed for the world's transition to renewable energy. The production of solar panels, wind turbines, electric

88 Ibid.

89 Di Salvatore, L., 2024. Energy Transition and Investment Protection in the Global South: The Case of Mozambique. The Palgrave Handbook of Zero Carbon Energy Systems and Energy Transitions, pp.373-408.

90 Darouich, L., Shishlov, I., Schmidt, M., Pássaro, P. and Michaelowa, A., 2023. Debt-for-Climate swaps as a tool to tackle climate and debt crises: Opportunities and challenges.

car batteries, and other renewable energy technologies relies on these minerals.[91] Increasing foreign investment in exploration and development projects focused on these resources nationwide exists. Numerous companies are actively exploring lithium and rare earths, and the Montepuez graphite mine in Cabo Delgado is one of the largest in the world.[92] These initiatives can contribute significantly to Mozambique's efforts to combat climate change. China, Madagascar, Mozambique, and Brazil are the top producers, with the nation making up 6% of the world's total. The most significant portion of Mozambique's graphite exports went to China in 2023, a 42.17% decrease from 2022. From 2023 to 2027, Mozambique's graphite exports are anticipated to increase at a compound annual growth rate (CAGR) of 12.64%.[93] The Government of Mozambique authorised the establishment of a state-owned mining corporation to take advantage of the critical minerals such as graphite. Despite its significant reserves, Mozambique only utilises one-third of its graphite resources and mining capacity. The new company, Mozambique Mining Exploration Company, aims to increase production and development across the country's critical mineral sector.[94] The Chamber of Mines of Mozambique has joined the Critical Minerals Africa (CMA) Summit as a strategic partner to promote Mozambique's critical mineral prospects.

91 Roe, A., 2018. Extractive industries and development: Lessons from international experience for Mozambique (No. 2018/56). WIDER Working Paper.

92 Khassab, B., 2021. The paradox of sustainability in the extraction of ''green minerals'' from highly volatile contexts: A case study of graphite mining in Cabo Delgado province, Mozambique (Master's thesis).

93 Ibid.

94 Els, W. and Chelin, R., 2021. Mozambique, Cabo Delgado Insurgency: Extraordinary mineral resources and liquid natural gas, a blessing that may be a curse or are we missing the point? IN AFRICA, p.106.

7.0 CONCLUSION, POLICY IMPLICATIONS AND RECOMMENDATIONS

The study examined the intricate relationship between Mozambique's oil and gas investments and development. It analyses the theoretical foundations of the resource curse and the Dutch disease. It shows how Mozambique's dependence on its abundant natural resources has led to significant economic challenges, including corruption, governance instability and rising inequality. The case study of Mozambique has shown the importance of understanding the political economy surrounding resource extraction, particularly in a context characterised by historical marginalisation and conflict, for example, in the Cabo Delgado region. Since its independence in 1975, Mozambique has been characterised by civil and political unrest. The country has factions built deep within political and religious settlements, aggravating the instability and civil unrest. Therefore, the policy implications must address the pre-resource curse while navigating options of good resource governance. The management and expectations of the current and future generations must be realistic so as not to cause unrest.

Further, the study brings to the forefront the critical role of renewable energy investments alongside fossil fuel production to help the country diversify its energy matrix and pursue sustainable financing options. This will help Mozambique work towards achieving its climate goals while securing energy access and security for its population. The study also highlights the pressing need for effective resource governance strategies prioritising inclusive development and equitable distribution of benefits. The recommendations thus include adopting policies that foster a robust downstream industry, enhancing local content laws, and ensuring transparency and accountability in resource management, among others, to mitigate the risks associated with the resource curse and also ensure that the benefits of the oil and gas industry translate into sustainable economic growth and improved living conditions for all people. The recommendations are expounded upon below:

a). Mozambique must devise a downstream industry for its natural gas and renewable energy sources. Supporting downstream industries around natural gas and critical minerals could diversify the economy, enhance value retention within the country, and reduce Mozambique's vulnerability to price fluctuations in raw exports. This will also help increase access to clean energy, create jobs, and address the income inequality gap, as most resources are found in previously marginalised regions.

b). Mozambique should adopt a just energy framework to address spatial inequality and include local communities in decision-making and benefits sharing. Inclusive development is crucial in resource development, especially for communities in regions like Cabo Delgado, where unrest is often fuelled by marginalisation. Equitable distribution of project benefits like local employment and training programs, extractive resources revenue sharing mechanisms, local communities or governments holding equity stakes in resource projects and environmental conservation efforts can mitigate conflict and improve social cohesion. The just aspect will address the distribution of ills and benefits of the country's natural and mineral resources, as well as recognise the previously disadvantaged host communities that are currently displaced and experiencing violence because of hosting these resources, such as in Cabo Delgado.

c). Mozambique establish strong monitoring and enforcement mechanisms for its local content laws (DM No 55/2024, Law No. 21/2014 (Lei dos Petróleos–"Petroleum Law"), and Decree No. 34/2015) to integrate the local workforce into the oil and gas and mineral value chains. However, Mozambique does not possess highly sophisticated technological and literacy levels in the extractive industry. The country should strive to develop a vast local workforce, and provide and inject capital to local entrepreneurs to facilitate the growth of the Indigenous economy.

d). Mozambique should adopt transparency and accountability initiatives and policies. Sierra Leone, Guinea, and the Democratic Republic of the Congo have published contracts for oil, minerals, and mining, while Countries like Sierra Leone, Togo, and South Africa have used technology to improve government processes and increase transparency. The extractive industry comes with a lot of governance risk. The secret debt scandal has proven that Mozambique has low transparency and accountability regarding debt acquisition and servicing, placing the country in an impoverished position.[95] Thus, strict laws and policies need to be introduced to increase accountability. The country should strengthen transparency initiatives around resource revenues and debt acquisition to curb corruption and prevent financial mismanagement, especially in light of past scandals such as the hidden debt crisis. In June 2023, Mozambique scored 82.5 points, which was considered a moderate score, for its implementation of the 2019 Extractive Industries Transparency Initiative (EITI) Standard.

e). To enhance transparency in Mozambique's political economy, it is crucial to strengthen institutional frameworks by establishing independent regulatory bodies to oversee resource management and financial flows, reduce corruption, and ensure fair revenue distribution. Promoting political accountability through anti-corruption policies, transparent campaign financing, and public asset declarations by leaders across FRELIMO, RENAMO, and MDM is essential. Additionally, enhancing public participation via platforms for civil society and community involvement in resource governance, improving legislative oversight to monitor executive actions, and fostering inter-party dialogue to build consensus on transparency reforms are key steps to ensure these efforts serve the public interest rather than partisan agendas.

95 Cortez, E., Orre, A., Fael, B., Nhamirre, B., Banze, C., Mapisse, I., Harnack, K. and Reite, T., 2021. Costs and consequences of the hidden debt scandal of Mozambique. Centro de Integridade Pública (CIP), Moçambique, and Chr. Michelsen Institute, Norway

f). To navigate the pressures and controversies of the energy transition, Mozambique should focus on a fair and inclusive process that accounts for both the country's economic realities and climate goals. First, pursuing a gradual transition that balances the continued use of fossil fuels like oil and gas with investments in renewable energy is crucial, which some scholars call 'energy progression'.[96] Failing to address the social and economic impacts, such as job losses in traditional energy sectors, could result in social unrest and economic instability. Thus, Mozambique needs to pursue a strategic transition, investing in renewables while ensuring that oil and gas remain part of the energy mix to support domestic development needs in the short to medium term.

g). Reducing reliance on external aid and exploring options like public-private partnerships (PPPs), domestic and regional financial sourcing, and debt-for-climate swaps is important to strengthen sustainable energy financing in Mozambique's extractive sector. For instance, Mozambique's first debt-for-climate swap with Belgium sets a precedent. However, PPPs can be challenging in contexts of weak state capacity, often leading to inefficiencies or unequal partnerships.[97] To mitigate these risks, Mozambique should focus on building institutional capacity, establishing clear regulatory frameworks, ensuring contract transparency, and engaging independent oversight bodies to monitor PPP projects, ensuring they align with national interests and deliver equitable benefits.

96 Nalule, V.R., 2021. How to respond to energy transitions in Africa: introducing the energy progression dialogue. *Energy Transitions and the Future of the African Energy Sector: Law, Policy and Governance*, pp.3-35.

97 Leigland, J., 2018. Public-private partnerships in developing countries: The emerging evidence-based critique. *The World Bank Research Observer*, 33(1), pp.103-134.

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