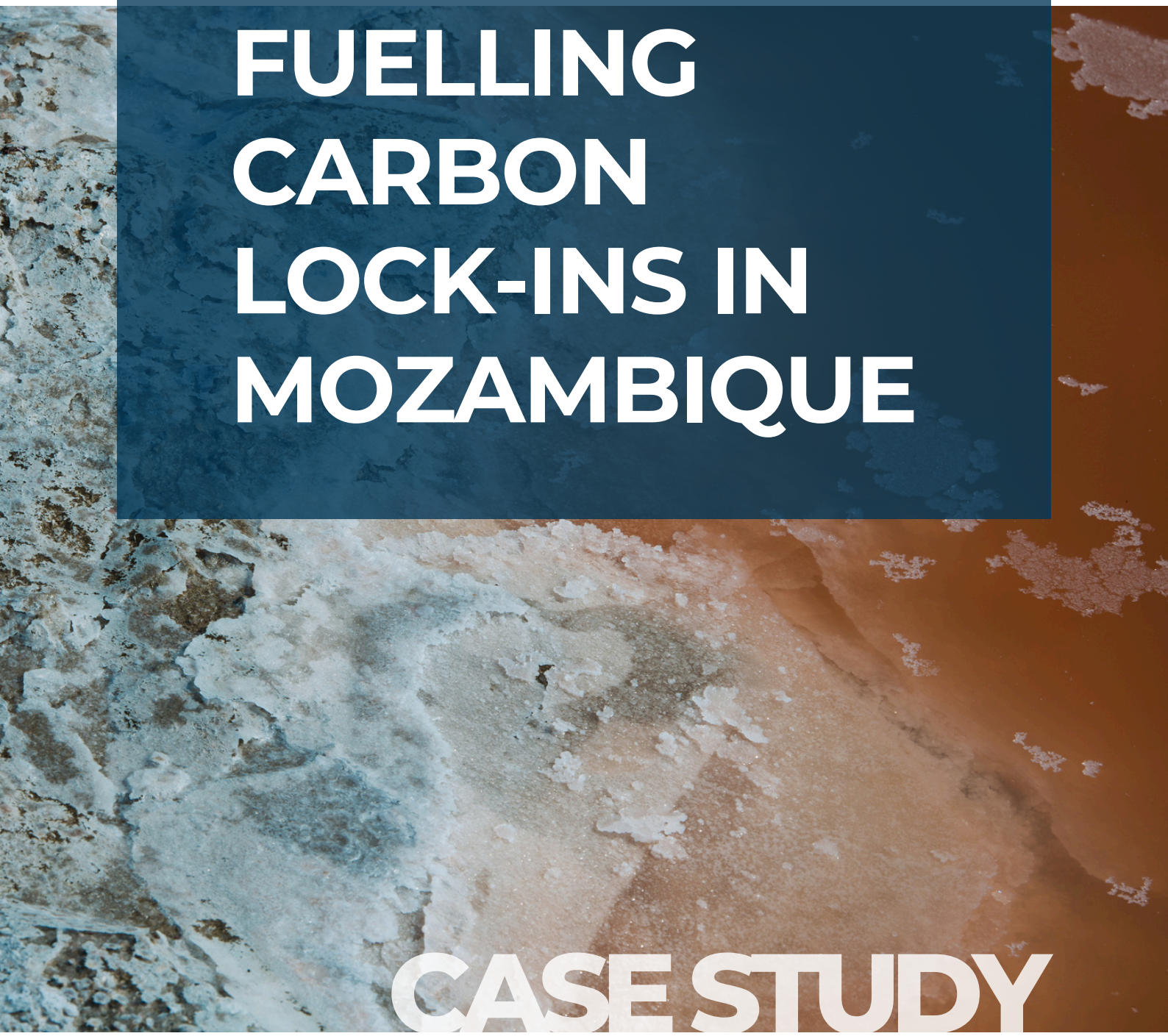
# FUELLING CARBON LOCK-INS IN MOZAMBIQUE



CASE STUDY

## The role of export finance and investment protection

Freiburg
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# Executive Summary

This report provides an analysis of the role of Export Credit Agencies (ECAs) and international investment protections in shaping developments in Mozambique's energy sector. It shows how public finance and protections granted to investors through international investment treaties, contracts and national investment laws have locked Mozambique into fossil fuel dependency, undermining its ability to pursue a just energy transition.

Between 2013 and 2023, fifteen ECAs financed 26 deals worth US$23.1 billion in Mozambique's energy sector. Of this amount, 98%—about US$22.7 billion—went to fossil fuel megaprojects, while just US$106 million supported a single renewable project. The financial support towards gas and coal in Mozambique was concentrated in three megaprojects: the Mozambique LNG (Area 1) and the Coral South FLNG (Area 4) - both gas megaprojects - and the Nacala Railway Corridor project for coal transportation.

The recent expansion of Mozambique's fossil fuel sector poses a severe threat to decarbonisation. The Mozambique LNG project alone is expected to emit 3.3 $GtCO_2e$. Independent research estimates that the gas reserves of the Rovuma Basin gas fields, feeding the Coral South FLNG, if extracted, processed and burnt, would result in emissions of 9.9 $GtCO_2e$ (Engelbrecht et al., 2025). The three biggest coal mines in Tete alone – served by the Nacala Railway Corridor – are projected to add a further 8.5 $GtCO_2e$ (Kühne et al., 2022). Together, emissions from these three projects alone are likely to consume a substantial portion of the remaining carbon budget for the 1.5°C goal.

ECAs' financial support for these projects is inevitably inconsistent with the Paris Agreement's objective of aligning finance with low-emission development pathways (Article 2.1(c)), and with states' due diligence obligation to prevent activities within their jurisdiction or control that generate significant greenhouse gas emissions. Continuing to support coal and gas megaprojects is likely to constitute a breach of international obligations.

Moreover, the human and social costs of these projects are already severe. In Cabo Delgado, Mozambique LNG has been linked to violent conflict, mass displacement, and human rights abuses, with the 2021 Palma attack leaving over 1,400 dead, a toll higher than the infamous 7 October attack on Israel. The Nacala Corridor has displaced communities and undermined livelihoods, while compensation has been widely criticised as inadequate.

Beyond climate and social impacts, fossil fuel projects create lasting infrastructural, economic and political lock-ins. Fossil fuel infrastructure requires decades of operation to remain financially viable, diverts scarce domestic resources from renewables, and imposes high decommissioning costs. Together, they undermine Mozambique's ability to transition to a low-carbon energy system despite its abundant renewable potential—especially in solar power. ECAs have, *de facto,* financed infrastructural lock-ins in Mozambique.

These infrastructural lock-ins are further reinforced by 'institutional lock-ins' created by the legal protection granted to foreign investors through international investment agreements (IIAs), national investment laws and concession contracts. Attempts to regulate in the public interest—whether to address climate risks, civil conflict, or economic diversification—risk triggering multi-billion-dollar claims from investors through investor-state dispute settlement (ISDS). This legal framework severely constrains Mozambique's sovereign policy space and locks it into this legal framework for the duration of these operations.

Given the extent of Mozambique's fossil fuel reserves and their impact on the remaining carbon budget, such carbon lock-ins, supported by the Global North, clearly conflict with climate change objectives and obligations and must therefore be addressed.

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## Abbreviations

| | |
|---|---|
| BIT | Bilateral Investment Treaty |
| ECAs | Export Credit Agencies |
| ECIC | Export Credit Insurance Corporation (South Africa's ECA) |
| ENH | Empresa Nacional de Hidrocarbonetos |
| EPCCs | Exploration and production concession contracts |
| EXIM | Export-Import Bank of the United States |
| GHG | Greenhouse Gas |
| $GtCO_2e$ | Giga tonnes of carbon dioxide equivalents |
| ICJ | International Court of Justice |
| ICSID | International Centre for Settlement of Investment Disputes |
| IIAs | International Investment Agreements |
| INP | National Petroleum Institute of Mozambique |
| ISDS | Investor-State Dispute Settlement |
| JOGMEC | Japan Oil, Gas and Metals National Corporation |
| LNG | Liquefied Natural Gas |
| MIREME | Mozambican National Mining Institute |
| ND-GAIN | Notre Dame Global Adaptation Initiative |
| OECD | Organisation for Economic Co-operation and Development |
| SACE | Servizi Assicurativi del Commercio Estero (Italian Export Credit Agency) |
| UNFCCC | United Nations Framework Convention on Climate Change |
| WBG | World Bank Group |

# 1. Introduction

Global temperatures have already risen by 1.6°C (Copernicus 2025), surpassing the 1.5°C safety threshold (IPCC 2018), which was recognised as the 'primary temperature goal' by the International Court of Justice (ICJ).[1] Accordingly, urgent action is needed to phase out fossil fuels, as the combustion of fossil fuels is the primary driver of climate change. Moreover, scientific evidence shows that the majority of fossil fuels must remain unextracted to limit warming to 1.5°C, a goal increasingly out of reach (Welsby et al. 2021). Phasing out fossil fuels and accelerating the energy transition is critical. Despite this, new coal, oil, and gas projects continue to be developed.

The needed systemic change presents challenges for most developing countries. Yet, it also offers an opportunity to leapfrog into low-carbon development, bypassing fossil fuel dependency. In practice, phasing out fossil fuels and transitioning to a low-carbon system is a fairly complex endeavour, involving a large number of interests that may differ. Mozambique presents a compelling case study in the intersection of development, energy, and climate vulnerability. Despite being endowed with a wealth of natural resources—including hydropower, fossil fuels, and renewable energy potential—the country continues to face entrenched poverty, energy insecurity, and significant climate risks. This complex dynamic is further shaped by post-colonial economic structures, global energy markets, and governance limitations, which collectively define the prospects and pitfalls of Mozambique's energy transition.

Mozambique has significant potential for a low-carbon, inclusive energy transition, driven by its abundant renewable resources, particularly solar energy, with solar irradiation ranging from 1,500 to 2,200 kWh/m²/year (Proler n.d.). This makes the country well-suited for decentralised solutions like solar home systems and mini-grids to tackle rural energy poverty. However, despite both fossil fuel and solar energy potential, electrification remains limited in the country, with only 36% of the population having access to electricity, and rural electrification lagging at a mere 8.9% in 2023 (World Bank 2023a; World Bank 2023b).

Yet several challenges threaten to derail an equitable energy transition. The heavy emphasis on natural gas and coal exploitation and export reinforces path dependency on fossil fuels, referred to as 'carbon lock-in'(Unruh 2000). Moreover, investments in fossil fuel megaprojects crowd out funding for renewables and delay the broader decarbonisation agenda (Marquardt and Kachi 2021).

Recent gas discoveries in northern Mozambique have attracted significant international investments, positioning the country as a potential global exporter of Liquefied Natural Gas (LNG). Projects led by TotalEnergies, ExxonMobil, and ENI represent billions of dollars in investment

[1] *Obligations of States in respect of climate change* (Advisory Opinion), 23 July 2025, para 224.

(Reuters 2020; Mozambique High Commission 2019) – double the annual GDP of the country for 2024, at US$22.42 billion.

The recent expansion of Mozambique's fossil fuel sector poses a severe threat to decarbonisation. The country has at least six identified 'carbon bombs' set to consume a significant share of the remaining carbon budget to stay within 1.5°C of warming. The Mozambique LNG project alone is expected to emit 3.3 $GtCO_2e$. The three biggest coal mines in Tete alone – served by the Nacala Railway Corridor – are projected to add a further 8.5 $GtCO_2e$ (Kühne et al., 2022). Together, these emissions are likely to consume a substantial portion of the remaining carbon budget for the 1.5 °C target to limit global warming.

Gas is frequently promoted by international energy companies, donors, and financiers as a 'transitional fuel', yet the scale of extraction and the construction of massive LNG infrastructures in Cabo Delgado – such as the Mozambique LNG project (see Annex 1 for details) – makes it a 'carbon bomb': a project whose lifetime emissions alone exceed 1 gigatonne of $CO_2$ (Kühne et al. 2022). The combustion alone of the gas from this project is expected to emit 3.3 $GtCO_2e$ over its lifetime (Kühne et al. 2022). Combustion of the gas reserves of the Rovuma Basin gas fields, feeding the Coral South FLNG, if extracted, would result in emissions of 4 $GtCO_2e$.[2] Routine flaring from Coral South FLNG already released greenhouse gases equivalent to 11% of Mozambique's annual emissions in just six months of 2022 (Ogno and Pastorelli 2025). To put it into perspective, the combined potential emissions of these two projects (7.3 $GtCO_2e$) is more than twice the yearly emissions of EU's 27 countries in 2023 (3.2 $GtCO_2e$) (European Commission, 2024).

Beyond the climate impact, these projects have had severe social consequences. Cabo Delgado, the region where much of the gas infrastructure is located, has experienced a deadly insurgency since the onset of these projects, deeply destabilising the region's social fabric and security (McGibbon 2025). Further details on the socio-economic impacts of these projects are presented in Annexe 1.

Mozambique's coal industry further compounds the climate burden. Three coal projects, among them large coal reserves and export-oriented mines—particularly in Tete province—have been identified as carbon bombs, totalling potential emissions of 8.5 $GtCO_2$ (Kühne et al., 2022) – six times Africa's annual emissions in 2023 – 1.42 $GtCO_2$ (Our World in Data 2024https://ourworldindata.org/co2-emissions). These are the potential emissions from only three projects in the region – the total emissions from all coal resources in Mozambique are likely to further consume a substantive share of the remaining carbon budgets for 1.5 and 2 °C of warming. While global coal use is rapidly losing competitiveness to renewables, Mozambique continues to license and expand coal projects, locking the country further into a high-carbon development path.

[2] This estimate was calculated based on the expected volume of gas (85 trillion cubic feet - https://www.gem.wiki/Rovuma_LNG_Terminal; https://www.eia.gov/international/analysis/country/MOZ and Kühne et al.'s measurements (Kühne et al., 2022).

Taken together, the expansion of LNG and coal will turn Mozambique into one of the world's hotspots for fossil-fuel-driven emissions. They have the potential to emit a total of 15.8 $GtCO_2$ – higher than the yearly emissions from the biggest emitter, China (at 11.9 Gt $CO_2$ in 2023) and the EU's 27 countries (Our World in Data 2024, European Commission 2024). Mozambique's emissions, while still negligible, have rapidly grown in the last decades and are expected to rise significantly due to the exploitation of fossil fuel resources (Our World in Data 2024).

These projects will inevitably consume a substantial share of the remaining global carbon budget and contribute considerably to climate change, which is already having a heavy impact on vulnerable countries, including Mozambique. Mozambique ranks among the most climate change vulnerable countries in the world according to the ND-GAIN index (ND-GAIN 2024). The country experiences an average of 1.17 major climate-related disasters per year, including cyclones, floods, and droughts (Manjate et al. 2023). Recent cyclones—Idai and Kenneth in 2019—caused over 600 deaths, displaced hundreds of thousands of people, and inflicted economic losses exceeding US$2 billion (World Bank 2019).

Despite the high stakes and risks, the listed fossil fuel projects have received substantial financial backing, with Mozambique receiving the largest share of export credit agencies' (ECAs) support for energy projects in Africa between 2013 and 2023, nearly exclusively for gas and coal projects (Weber and Di Salvatore 2025). As it will be presented in this case study, this financial support fosters the development of infrastructure that will inevitably lock the country into a high-carbon development path well beyond the mid-century mark to achieve net-zero. Such financial flows are also misaligned with the Paris Agreement's objective of making finance flows consistent with a low-carbon development pathway (Article 2.1.c) (UNFCCC, 2015).

ECAs are usually government agencies or private companies acting as government agencies. Their aim is to support their government's companies and investors abroad (Shishlov et al., 2021). Foreign investors usually have access to additional legal protection through international investment law and its enforcement mechanism – investor-state dispute settlement (ISDS). ISDS allows foreign investors to sue host countries if they consider host countries to have breached their obligations under an applicable investment treaty, law or contract. This system can reinforce the carbon lock-in effect by adding a layer of institutional lock-in, leaving the host country with very little manoeuvre to regulate in the public interest, which may include the energy transition (Tienhaara 2017; Di Salvatore 2021; Tienhaara et al. 2023). Against this background, this case study analyses the web of public finance that has been disbursed to support the fossil fuel industry in Mozambique between 2013 and 2023 by ECAs and the related institutional lock-in granted by investors' additional protection.

This report combines quantitative and qualitative methods to map the role of ECAs in financing fossil fuel projects in Mozambique between 2013 and 2023. Financial flows were compiled primarily from the OCI database (only preliminary data for 2023 available), complemented by official ECA

disclosures, press releases, and secondary research. Investment protection frameworks were analysed through applicable international investment agreements (IIAs), retrieved through the UNCTAD Investment Policy Hub for International Investment Agreements, and the Mozambican national investment law. Contractual obligations were reviewed through publicly available contracts, retrieved from ResourceContracts.org and the Mozambican National Petroleum Institute (INP) and Mozambican National Mining Institute (MIREME) official websites.

A key limitation of this research is the lack of transparency of ECAs' operations and of the terms and conditions of the guarantees and loans they issue. Although these involve significant amounts of public money, the contractual details of most deals remain confidential, restricting independent scrutiny. Similarly, corporate structures and the layering of subsidiaries obscure the full extent of ISDS exposure, making estimates necessarily conservative. Despite these limitations, triangulation of multiple sources enables this report to present a robust overview of how ECA finance and investment protections collectively reinforce fossil-fuel dependency and constrain Mozambique's ability to pursue a low-carbon development path.

## 2. ECAs' support for energy projects in Mozambique

Financial support by ECAs is mostly provided in the form of loans and guarantees. Their main aim is to support domestic companies operating abroad and national interests. For instance, the United States Export-Import Bank (EXIM) authorised the largest package in Mozambique – and indeed in Africa – amounting to US$4.7 billion. This deal was domestically justified as a tool to create "*16,700 American jobs for a five-year construction period*" and to expand opportunities for U.S. suppliers, while also strengthening "*America's competitiveness through EXIM's support of transformational U.S. exports*" against rivals such as China (EXIM 2020).

Loans are disbursed to the projects themselves, in the form of project financing (Mizuho Group 2017; Offshore Energy 2017). While directed to the project in general, these loans are generally conditional on hiring contractors and subcontractors from the ECA's home country, or to grant some sort of benefits to the home country. For instance, JBIC's loan of US$3 billion issued in the form of project finance has the objective of mainly benefiting the Japanese operators – Mitsui & Co., Ltd., and the Japan Oil, Gas and Metals National Corporation (JOGMEC) (JBIC 2020). Moreover, "*Japanese utility companies are expected to offtake approximately 30% of the LNG produced by this project, and this will represent Japan's first import of LNG produced in Mozambique. As such JBIC's support for this project will contribute to securing stable supplies of LNG and to diversifying LNG supply sources for Japan*" (JBIC 2020).

Guarantees are issued to cover loans provided by commercial banks to the project. In this case, ECAs guarantee that if the borrower defaults, it will compensate the bank (OECD 2024). These guarantees typically cover political and non-commercial risks and allow commercial banks to grant loans at better conditions. As for the loans, they are usually tied to ECAs' national interests (Machlin, 2019).

For instance, the export guarantees offered by the Italian ECA support the Italian companies ENI and Saipem in their operations for Mozambique's gas projects. SACE issued two guarantees: one for the LNG Mozambique project, covering loans, including one from Cassa Depositi e Prestiti, to facilitate payments for Saipem (Altreconomia 2022; ReCommon 2025b); and another for Coral South FLNG, covering loans from Intesa San Paolo and UniCredit to finance ENI's involvement in the project (Ogno, 2023).

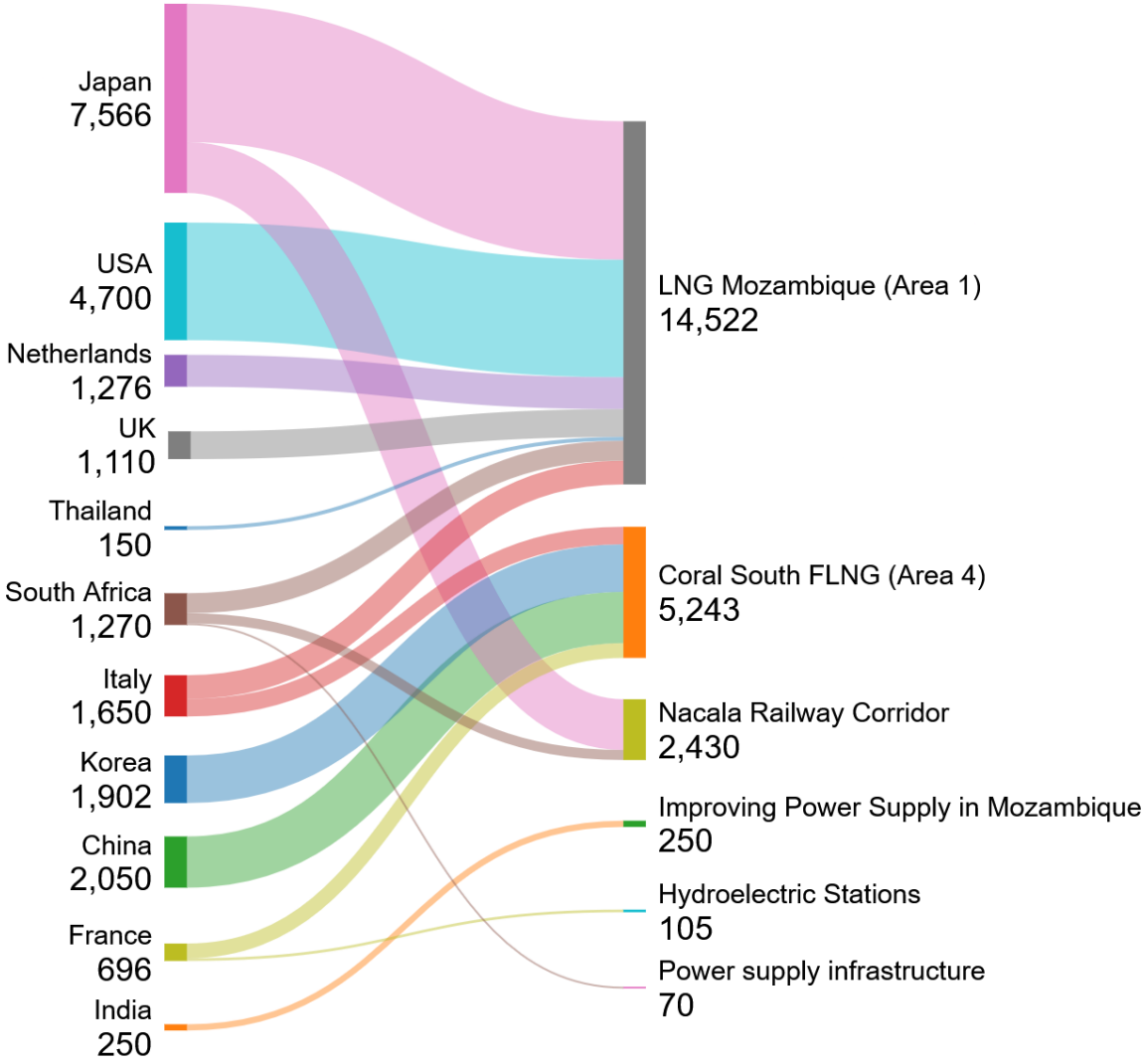
While the details of the ECA deals under analysis are undisclosed, minimal information on them was retrievable through official government websites and project descriptions. Nonetheless, the specific conditions of each deal remain unknown. Given that ECAs are public entities or private entities acting on behalf of governments, and therefore involve public money, transparency should be enhanced to improve accountability and review from the public. In this regard, for example, the Italian ECA, SACE, was ordered by Rome's administrative court to provide the NGO ReCommon access to internal documents related to the evaluation and financing of LNG Mozambique and Coral South FLNG projects (ECLI 2023). However, there is no public confirmation that the internal documents have been released. At present, only the Environmental and Social Impact Assessment is explicitly available upon request (SACE n.d.).

Mozambique is the country that has received the highest share of ECA support for energy projects between 2013 and 2023 (Weber and Di Salvatore 2025) – almost 25%. Between 2013 and 2023, 15 ECAs financed a total of US$23.1 billion in loans and guarantees for energy projects in Mozambique, across 26 deals.[3]

Almost the totality of this amount – 98%, or US$22.7 billion – was disbursed towards fossil fuel projects through 23 deals. In contrast, just US$106 million (0.5% of the total amount) was channelled into a single renewable energy project: the rehabilitation and modernisation of two hydroelectric power stations in Mavuzi and Chicamba. The remaining US$320 million supported two projects aimed at improving the national grid and power supply.

[3] This number and the total sum disbursed differ slightly from the ones in our previous report, on Africa's energy projects financed by ECAs (Weber and Di Salvatore 2025). This discrepancy is due to the very detailed analysis of the deals under review, which uncovered more deals than reported previously in the OCI database. With the collaboration of OCI, these deals have now been included in their database. Other deals included in this research are not reported in the OCI database, as it is concerned only with ECAs from G20 countries.

**Figure 1: Export finance flows to energy projects in Mozambique from 2013-2023 in USD billion**




Source: authors based on (OCI, 2025) and own data compilation

While the one and only guarantee for a renewable energy project – hydropower – was issued in 2014, the totality of the loans and guarantees for fossil fuel projects were issued from 2017 onwards, after the entry into force of the Paris Agreement.

Of the total support issued for energy projects in Mozambique, the majority (US$20.3 billion) was directed towards two LNG megaprojects in the northern province of Cabo Delgado. Mozambique LNG received US$15 billion from nine ECAs for the development of Area 1 – both onshore and offshore – by a consortium led by TotalEnergies. Coral South FLNG received US$5.2 billion from six ECAs for the development of Area 4 by a consortium led by ENI and ExxonMobil.

The remaining US$2.4 billion was directed towards the Nacala Railway Corridor by three ECAs. This coal infrastructure, developed by Vale and Mitsui aims to link Vale's Moatize coal mine in the Tete region with the export port of Nacala in the northeast of Mozambique.

**Table 1: ECAs' deals towards fossil fuel projects in Mozambique between 2013 and 2023.**

| Country | ECA | Amount | Year | Instrument | Project |
|---|---|---|---|---|---|
| **China** | Sinosure | $1 550 000 000 | 2017 | Guarantee | Area 4 \ Coral South FLNG |
| | Chexim | $500 000 000 | 2017 | Loan | Area 4 \ Coral South FLNG |
| **France** | BPI | $591 595 200 | 2017 | Guarantee | Area 4 \ Coral South FLNG |
| **Italy** | SACE | $950 000 000 | 2020 | Guarantee | Area 1 Mozambique LNG |
| | SACE | $700 000 000 | 2017 | Guarantee | Area 4 \ Coral South FLNG |
| **Japan** | NEXI | $2 000 000 000 | 2020 | Guarantee | Area 1 Mozambique LNG |
| | JBIC | $536 000 000 | 2020 | Loan | Area 1 Mozambique LNG |
| | JBIC | $3 000 000 000 | 2020 | Loan | Area 1 Mozambique LNG |
| | JBIC | $1 030 000 000 | 2017 | Loan | Nacala Railway Corridor |
| | NEXI | $1 000 000 000 | 2017 | Loan | Nacala Railway Corridor |
| **Korea** | Kexim | $490 000 000 | 2017 | Guarantee | Area 4 \ Coral South FLNG |
| | K-sure | $800 000 000 | 2017 | Guarantee | Area 4 \ Coral South FLNG |
| | Kexim | $500 000 000 | 2020 | Loan | Area 1 Mozambique LNG |
| | Kexim | $510 000 000 | 2017 | Loan | Area 4 \ Coral South FLNG |
| | Kexim | $102 466 124 | 2020 | Loan | Area 4 \ Coral South FLNG |
| **Netherlands** | Atradius | $1 065 517 958 | 2020 | Guarantee | Area 1 Mozambique LNG |
| | Atradius | $211 017 522 | 2020 | Loan | Area 1 Mozambique LNG |
| **South Africa** | ECIC | $800 000 000 | 2020 | Guarantee | Area 1 Mozambique LNG |
| | ECIC | $400 000 000 | 2017 | Guarantee | Nacala Railway Corridor |
| **Thailand** | ThaiEXIM | $150 000 000 | 2020 | loan | Area 1 Mozambique LNG |
| **United Kingdom** | UKEF | $779 308 651 | 2020 | Guarantee | Area 1 Mozambique LNG |
| | UKEF | $331 158 021 | 2020 | Loan | Area 1 Mozambique LNG |
| **United States** | EXIM US | $4 700 000 000 | 2019 | Loan | Area 1 Mozambique LNG |

Source: authors based (OCI 2025) and own data compilation

## 2.1. Environmental, legal, and human rights risks of ECA-backed projects in Mozambique

By offering significant financial support to these projects, ECAs are fostering conditions of infrastructural lock-in that will be difficult and costly to reverse. Fossil fuel energy infrastructures typically require very high upfront investments, demand decades of operation to become financially viable, and are designed with long operational lifespans, making host countries dependent on sustained fossil fuel production and export. In other words, Mozambique is very likely to become

locked into high-carbon development pathways for the decades to come, well beyond the mid-century mark for net zero.

These three recent projects, which are set to operate well beyond the mid-century mark for achieving net-zero emissions, will further entrench Mozambique in both coal and gas dependency for decades, deepening its economic entanglement with volatile fossil fuel markets and exposing the country to high economic risks (Halsey et al. 2023). . Due to decarbonisation measures, these assets are also likely to be less economically profitable and become stranded. The decommissioning, particularly of coal, is highly expensive and raises additional burden, as these assets become less valuable over time (Bos and Gupta, 2019, 2018). Lastly, the financial support for fossil fuel projects diverts scarce domestic resources, skills, and institutional capacity away from renewable energy alternatives (Gaventa 2021). These factors are likely to significantly impact the economic profitability of these projects and, due to Mozambique's carbon entanglement with them, the national economy as well.

ECAs' financial support to these projects is problematic also from several points of view, beyond contributing to carbon infrastructural lock-ins in Mozambique.

ECAs' finance for fossil fuel projects is inconsistent with international obligations of due diligence, climate cooperation and the effective implementation of the Paris Agreement. The loans and guarantees for Mozambique's gas and coal projects are provided by governments, thus using public funds from taxpayers. This raises concerns about accountability to the citizens of the countries whose financial institutions are involved. The lack of transparency around these transactions compounds this issue.

ECAs are government agencies or companies acting on behalf of their national governments (OECD 2021). The countries financing the fossil fuel projects in Mozambique, with the exception of the USA, are all parties to the Paris Agreement, which sets the objective, *inter alia,* of 'Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development' (Paris Agreement, Article 2.1.c). Moreover, in its recent Advisory Opinion, the International Court of Justice clarified that all States – including the USA - have an obligation under international law to exercise due diligence in preventing activities within their jurisdiction and control that cause significant greenhouse gas emissions.[4] The financing of large-scale fossil fuel projects by ECAs in Mozambique - whose emissions are going to consume a substantive portion of the remaining carbon budget for limiting global warming to either 1.5 or 2 °C - is therefore difficult to reconcile with the objective of limiting global warming to 1.5 °C and hard to justify in light of the due-diligence obligation to prevent activities within their control that cause significant greenhouse gas emissions.

[4] *Obligations of States in respect of climate change* (Advisory Opinion), 23 July 2025, para 138-139.

In line with the ICJ Advisory Opinion, previous legal analysis conducted by Cook and Viñuales on ECAs' legal responsibilities under international climate agreements has highlighted that ECAs are bound by international obligations of due diligence and must refrain, in principle, from financing new fossil fuel projects or expanding existing ones (Cook and Viñuales, 2021). They argue that States, whether acting directly through ECAs or regulating them as separate entities, are required to phase out existing fossil fuel support within a timeframe dictated by the best available science and the Paris Agreement temperature goals (Cook and Viñuales, 2021, para 5). Moreover, ECAs have a duty to make proactive efforts "*to avoid 'locking-in' fossil fuel-related projects/activities which may use up a significant part of the remaining carbon budget,*" and must conduct robust climate risk and human rights impact assessments before approving projects (Cook and Viñuales, 2021, para 48).

As noted by the ICJ, "*failure of a State to take appropriate action to protect the climate system from GHG emissions — including through fossil fuel production, fossil fuel consumption, the granting of fossil fuel exploration licences or the provision of fossil fuel subsidies — may constitute an internationally wrongful act which is attributable to that State.*"[5] Accordingly, finance through ECAs of fossil fuel projects, which can be considered a form of fossil fuel subsidy,[6] may constitute a breach of international law.

Moreover, these projects are facing mounting criticism due to their association with human rights abuses. In Cabo Delgado, the Mozambique LNG project has become deeply entangled with the violent insurgency, with reports of massacres, mass displacement, and credible allegations of torture and extrajudicial killings carried out by security forces deployed to protect the LNG facilities (Perry, 2023, 2024). In parallel, investigations in France have opened, investigating the responsibility of TotalEnergies for failing to safeguard subcontractors during the Palma attack, reflecting how concerns over accountability are now crossing borders (Reuters, 2024). Similarly, the Nacala Railway Corridor has been linked to forced displacement and loss of livelihoods for affected communities along its route, raising long-standing concerns about the adequacy of resettlement measures and compensation (HRW 2013; ADB 2016).

Together, these dynamics underscore how the financing of these infrastructures for coal and gas production and exports is generating not only considerable climate risks and carbon lock-ins, but may also constitute a breach of international law and severely encroach on human rights. As a result, public pressure is mounting in Mozambique and the home countries of the involved ECAs (Amis de la Terre 2023).

[5] *Obligations of States in respect of climate change* (Advisory Opinion), 23 July 2025, para 427.
[6] Verkuijl C and others, 'Tackling Fossil Fuel Subsidies Through International Trade Agreements: Taking Stock, Looking Forward' (2019) 58 Virginia Journal of International Law 309 https://vjilorg.files.wordpress.com/2019/02/verkuijl_final-draft.pdf, p. 318.

As discussed in the next section, this infrastructural lock-in is further compounded by institutional lock-in, driven by the protection of foreign investors through international investment agreements and concession contracts.

# 3. Investors' protection for energy projects in Mozambique

Investment protection refers to the body of legal rules that grants foreign investors rights and safeguards against actions by host states that may negatively affect their investments. These protections are typically enshrined in international investment agreements (IIAs) – bilateral or multilateral treaties—and, in some cases, in national investment laws or contracts. The most common provisions in international investment agreements guarantee fair and equitable treatment, protection against expropriation, non-discrimination, and the free transfer of funds. A defining feature of modern investment protection regimes is the availability of Investor–State Dispute Settlement (ISDS), which allows investors to bring claims against host states before international arbitral tribunals (CCSI 2022).

ISDS plays a crucial role in the fossil fuel industry. About 20% of global ISDS cases involve fossil fuel investments, a trend reflected in Africa (Di Salvatore et al. 2023; Weber and Di Salvatore 2025). Global trends show that fuel investors have successfully and extensively navigated the ISDS system, thereby securing a powerful legal tool to protect their assets and constrain host states' regulatory space (Di Salvatore 2021; Di Salvatore et al. 2023).

African states have faced numerous ISDS claims over the years. By offering investors a robust avenue to claim compensation for regulatory changes—including those introduced in the public interest, such as environmental or climate-related measures—ISDS can significantly constrain host governments' policy space. Compensation awards can amount to billions of US dollars, sometimes exceeding national health or education budgets, thereby placing a disproportionate financial burden on African states (Weber and Di Salvatore 2025).[7]

The following sections analyse whether the beneficiaries of the loans and guarantees extended to fossil fuel projects in Mozambique have access to investment protection and ISDS.

## 3.1. Investors' protection through international investment agreements

As presented earlier, ECAs' loans and guarantees are generally issued to support national companies operating abroad or national interests. It is therefore likely that this financial support is channelled mostly to companies from the ECA's countries, listed in Table 2.

[7] See the full analysis on the impact of ISDS on low and lower income states in Weber and Di Salvatore 2025, p. 22.

**Table 2: ECAs' home countries and total amount disbursed to the projects under analysis between 2013 and 2023.**

| Country | Total | IIAs with Mozambique with Access to ISDS |
|---|---|---|
| Japan | $7,566,000,000 | Yes |
| United States | $4,700,000,000 | Yes |
| Korea | $2,402,466,124 | No |
| China | $2,050,000,000 | Yes |
| Italy | $1,650,000,000 | Yes |
| Netherlands | $1,276,535,480 | Yes |
| South Africa | $1,200,000,000 | No |
| United Kingdom | $1,110,466,672 | Yes |
| France | $591,595,200 | Yes |
| Thailand | $150,000,000 | No |

Source: authors based (OCI 2025) and own data compilation

Based on the home countries of the ECAs involved in Mozambique, 15 deals are covered by an IIA that includes an ISDS provisions. Of the total US$22.7 billion in loans and guarantees to the gas and coal projects under analysis, US$18.9 billion is covered by such IIAs.[8] This constitutes a conservative estimate, as international energy companies often have access to a broader network of investment treaties—beyond those concluded directly between Mozambique and the home states of the ECAs or parent companies—through complex corporate structures and the use of intermediary jurisdictions. Their complex corporate structure allows them to treaty shop - i.e., to initiate an arbitration through a subsidiary or branch with the applicable IIA with the most favourable terms for the investor (Böhme 2021).

### 3.2. Investors' protection through national investment law

National investment laws have been adopted mainly in low and lower-middle income countries and may provide foreign investors guarantees that can be similar to the ones in IIAs and access to ISDS mechanisms (Berge and St John, 2020).

The Mozambican investment law (*Lei do Investimento Privado (Lei n.° 8/2023, de 9 de Junho)* also provides foreign (and national) investors certain additional protections, such as, amongst others, fair and equitable treatment (article 6) and protection against direct and indirect expropriation (article 8). It also provides for ISDS.

Article 2.2 carves out hydrocarbon explorations and the investment law is therefore not applicable to the gas megaprojects in Cabo Delgado. However, the law applies to the Nacala Railway Corridor,

[8] China - Mozambique BIT (2001), France - Mozambique BIT (2002), Italy - Mozambique BIT (1998), Japan - Mozambique BIT (2013), Mozambique - Netherlands BIT (2001), Mozambique - United Kingdom BIT (2004), Mozambique - United States of America BIT (1998).

as it qualifies as a public private partnership and large-scale project under article 2.1. (Nhamire and Matine, 2015).

This national legislation would therefore cover the totality of deals supporting the Nacala Railway corridor (US$2.43 billion). Of this total, US$400 million in guarantees from the South African ECIC, which are not covered by an IIA with ISDS, have access to similar additional legal protection through this national investment law.

### 3.3. Investors' protection through contracts

Contract-based ISDS are particularly prominent in the energy industry, especially against low-income and developing countries. In Africa, 53% of ISDS claims are initiated based on a contract (Weber and Di Salvatore 2025), which is a significantly higher share compared to the average 7% of all ICSID cases initiated based on a contract (ICSID 2024). Moreover, 80% of contract-based arbitrations initiated to protect a fossil fuel investment were against a low-income country (Di Salvatore et al. 2023).

In this context, foreign investors who have signed a concession contract with the Government of Mozambique for the operations under analysis may initiate ISDS proceedings against Mozambique based on these contracts.

The following section analyses the publicly available concession and farm-in contracts for Mozambique LNG and Coral South FLNG.[9] The Nacala railway corridor project was not analysed as its public-private partnership (PPP) agreement was not publicly available (Resource Contracts n.d.).

Both initial exploration and production concession contracts (EPCCs) are based on the Mozambican 2006 EPCC Model Contract and are very similar in structure and substance. They both provide rights for an initial exploration phase and subsequent extraction for 30 years, making the duration of the contracts last until 2044. They also allow for an extension if *force majeure* prevents the concessionaires from fulfilling their obligations.[10] Given that TotalEnergies had declared *force majeure* in 2021, the contract is likely to be extended for at least four years at the time of the writing, making the operations last at least until 2048.

[9] *Contrato De Concessão Para Pesquisa E Produção Entre O Governo Da República De Moçambique E Anadarko Moçambique Área 1 Limitada E Empresa Nacional De Hidrocarbonetos, Para Área 1 'Offshore' Do Bloco Do Rovuma República De Moçambique E.P.*(2006)(EPCC with Anadarko, 2006); *Contrato De Concessão Para Pesquisa E Produção Entre O Governo Da República De Moçambique E Eni East Africa S.P.A. E Empresa Nacional De Hidrocarbonetos, E.P. Para Área 4 Offshore Do Bloco De Rovuma República De Moçambique*' (2006)(EPCC with Eni East Africa, 2006); *Adenda Ao Contrato De Concessão Para Pesquisa E Produção Da Área 1'offshore' Do Bloco Do Rovuma* (2017); *Acordo Complementar [ao Contrato de Concessão, de Pesquisa e Produçao da Area 4, datado de 20 de Dezembro de 2006]* (7 November 2017) (I Additional Agreement to EPCC with ENI East Africa, 2017); *2 Acordo Complementar ao Contrato De Concessão Para Pesquisa E Produção da Área 4 Offshore Do Bloco Do Rovuma* (9 August 2019) (II Additional Agreement to EPCC with ENI East Africa, 2019) For the full analysis on the concession contracts in the fossil fuel industry in Mozambique, see Di Salvatore and Gubeissi, 2024.

[10] EPCC with Anadarko, 2006, art 25.4.

Both EPCCs provide for ISDS and indicate arbitration as the sole method to resolve legal disputes,[11] thereby granting investors the right to directly initiate ISDS claims without first exhausting local remedies. These conditions are extended to the new operators and terms agreed through the additional agreements.

The EPCC with Anadarko and subsequent agreements specify the nationalities of the investors, sometimes with the expressed intention to choose the most favourable regime for the investors. For example, Anadarko, originally U.S.-based, is to be considered a Mauritian entity for arbitration purposes.[12] While the EPCC with Anadarko explicitly states the nationality chosen to access arbitration, in other cases the agreement simply states the nationality of the entity.[13] This practice, although standard, highlights the global reach of these corporations through their global corporate structures, which allows them to pick the nationality that grants them the most favourable terms.

Furthermore, the first additional agreement with ENI clarifies that the co-owners of Mozambique Rovuma Venture (Eni, ExxonMobil, and CNPC) include not only the companies signatories of the contract but also any subsidiaries or affiliated entities under their control.[14] In other words, the agreement defines these entities as encompassing all their subsidiaries and branches, ultimately allowing them to treaty-shop for the IIAs with the most favourable protections.

Both EPCCs also provide protection against direct and indirect expropriation, using a very broad wording, as is commonly found in IIAs.[15] They also present various stabilisation clauses, which provide that the conditions of the agreements, including the legal environment, remain unchanged for the duration of the contracts, or otherwise not applicable or compensated by the host state (Di Salvatore and Gubeissi 2023).

In other words, the stabilisation clauses in both contracts, and their extension through the additional agreements, *de facto,* inhibit Mozambique's duty to regulate for the duration of the contracts. By embedding broad protections against expropriation and far-reaching stabilisation clauses, these contracts effectively insulate investors from future legal or policy changes that might affect their operations. When coupled with direct access to ISDS and the ability of multinational energy companies to shop for the treaty with the most favourable investment protections, these provisions create an asymmetrical legal framework that prioritises investor security over sovereign policy space. Investors may also choose to combine provisions from contracts and IIAs by relying on the umbrella clauses usually found in old IIAs.

[11] EPCC with Anadarko, 2006, art 30; EPCC with Eni East Africa, 2006, art 30. The contracts further stipulate that non-legal disputes are to be resolved through recourse to an independent expert (art 30.5).
[12] EPCC with Anadarko, 2006, art 30.3.a.
[13] For example, BPRL Ventures Mozambique B.V., a subsidiary of India's Bharat Petroleum Corporation, is registered as a Dutch company, as is GALP, the Portuguese energy company. I Additional Agreement to EPCC with ENI East Africa, 2017, preamble.
[14] Additional Agreement to EPCC with ENI East Africa, 2017, art 1.1.
[15] EPCC with Anadarko, 2006, art 27; EPCC with Eni East Africa, 2006, art 27.

Consequently, Mozambique's ability to adapt its regulatory and environmental frameworks in response to evolving national and global priorities—such as climate commitments or social welfare concerns—is substantially limited for the lifespan of the contracts.

### 3.4. Legal and economic risks of ISDS for Mozambique's energy future

Together, the protection offered through IIAs, national investment law and contracts provide covers all ECA deals towards Mozambique's fossil fuel industry - US$22.7 billion. In certain instances, foreign investors may even have the choice between different legal sources or a combination of those – applicable IIA, investment law and concession contracts, allowing them to rely on the most favourable regime.

This interplay of legal protections afforded to these foreign investments through IIAs, national law and contractual arrangements results in a form of institutional carbon lock-in for the foreseeable future (Seto et al., 2016). This legal architecture ensures that once a project is approved and capital flows are secured, the host State's room to revise or recalibrate relevant policies is severely constrained. Measures that may affect the profitability of these projects, even those taken for the public good are likely to be challenged by the operators through ISDS with a hefty price tag, combining protection provided by contracts, national legislation and IIAs.

Because these contracts extend well into the 2040s — and may be prolonged — the constraints are generational in nature, locking the country into coal and gas production until at least mid-century. The institutional lock-in created by this regulatory framework, therefore, not only shields investors against present-day risks but also projects investors' power far into the future, freezing Mozambique's capacity to respond flexibly to pressing needs.

These companies may bring claims for exorbitant amounts of money, as it has been the case in the past, especially in the fossil fuel industry (Di Salvatore 2021). They may also claim compensation on expected lost revenues, i.e. the revenues they would have accrued if the project had been developed.

**Box 1: *Tethyan Copper v. Pakistan***

For instance, in *Tethyan Copper v. Pakistan*, the tribunal awarded the investor US$4.09 billion in damages, along with pre-award interest of US$1.75 billion (Schneiderman 2022),[16] and ordered Pakistan to cover the tribunal's costs (US$ 3.8 million) and the claimant's legal expenses (US$ 59.5 million).[17]On top of this exorbitant sum (nearly US$ 6 billion), "*post-award interest is accruing at a rate of US$700,000 per day*."[18] To put this into perspective, the compensation awarded to the Australian investor—despite the fact that the project never began operations in Pakistan—was twice the country's annual healthcare expenditure and nearly equivalent to the USD 6 billion International Monetary Fund bailout Pakistan received just two months earlier to address economic distress and reduce public debt. This award has therefore devastating consequences on Pakistan's public finances, translating into further austerity measures and contributing to the country's debt (Schneiderman 2022).

Considering the very large investment and finance schemes issued towards these projects, Mozambique, whose highest GDP ever recorded was US$22.4 billion in 2024 (World Bank 2024) faces significant economic risks in relation to these projects through ISDS. For an economy like Mozambique, which presents a high risk of debt distress (World Bank 2024), the risk of default or litigation makes it politically and economically difficult for the duration of these operations to adopt measures in line with the energy transition, i.e. to cancel or shift away from carbon-intensive infrastructure, even in the face of clear climate, social and environmental risks.

This framework also operates as a powerful deterrent against governmental action, as the mere threat of arbitral proceedings can exert a paralysing effect, discouraging the State from adopting measures that might trigger investor claims (Tienhaara 2018).

**Box 2: *Rome Resources v Mozambique***

Arbitration cases against Mozambique in recent years already show how investors leverage ISDS to their benefit against the country. For instance, in *Rome Resources v Mozambique*,[19] a treaty-based arbitration concerning the State's alleged failure to protect the mining investment in heavy mineral sands from the sabotage of a former local partner, the government opted for a settlement rather than risking an adverse award (Bohmer 2025). The government agreed in the settlement to grant five new research and exploration licences, as well as a 30% carried interest to the claimant in the future value of the new licences (Bohmer 2025). In another case, *Minas de Revuboè v. Mozambique*[20], the investor initiated a contract-based arbitration against a decision by

[16] *Tethyan Copper Company Pty Limited v Islamic Republic* of Pakistan, ICSID Case No. ARB/12/1, Award, (12 July 2019), para 1858; see also David Schneiderman, *Investment Law's Alibis* (Cambridge University Press, 2022), 89.
[17] *Tethyan v Pakistan*, para 1858.
[18] *Tethyan Copper Company Pty Limited v Islamic Republic of Pakistan*, ICSID Case No. ARB/12/1, Decision On Stay Of Enforcement Of The Award, para 81
[19] *Rome Resources PLC (formerly Pathfinder Minerals PLC) and IM Minerals Limited v. Republic of Mozambique* (ICSID Case No. ARB/24/4)
[20] *Minas de Revuboè Limitada v. Republic of Mozambique* (ICSID Case No. ARB/24/40).

Mozambique's Ministry of Mineral Resources and Energy to revoke a mining concession (IAReporter 2025). However, the details of the dispute are not public.

# 4. Conclusions

Mozambique's recent fossil fuel development, the extensive support from ECAs and the protections afforded to foreign investors and ISDS mechanisms have created a strong carbon lock-in effect in the country. ECAs, by underwriting large-scale coal and gas projects through public finance mechanisms, are effectively enabling a form of infrastructural and institutional lock-in that will constrain Mozambique's capacity to transition towards a low-carbon economy for decades to come. The projects at issue—each designed for operational lifespans extending beyond the mid-century threshold for net-zero emissions—anchor the country's development trajectory within a fossil-dependent paradigm, thereby undermining global and national climate objectives under the Paris Agreement.

The projects under analysis involve the development of infrastructures that are capital-intensive and that have a long lifespan (Moon 2021). Once constructed, their continued operation becomes economically imperative due to the need to recoup high sunk costs, regardless of shifting global climate norms or the declining competitiveness of fossil fuels. Moreover, such assets are likely to become stranded in a decarbonising global economy, losing value and creating cascading fiscal and social burdens for developing states (Bos and Gupta 2018, 2019). Mozambique thus faces high economic risks and costs: the future depreciation of fossil assets and the escalating costs of decommissioning obsolete facilities (Seto et al. 2016).

Moreover, ECA financing of fossil fuel infrastructure diverts scarce domestic resources and institutional capacities away from sustainable alternatives. The skills, governance mechanisms, and technical expertise mobilised to sustain gas and coal extraction are not easily transferable to renewable energy systems. In the aggregate, this dynamic reinforces path dependency, with the state and its public institutions becoming progressively oriented toward the perpetuation of carbon-intensive industries rather than their dismantling (Gaventa 2021). The economic entanglement between Mozambique and volatile fossil fuel markets thus perpetuates structural dependency, rather than facilitating a diversification of energy sources or industrial upgrading.

Given the large amount of potential emissions of these projects - which are expected to consume a considerable share of the remaining carbon budget for 1.5 and 2°C of warming - financing these projects undermines the Paris Agreement's requirement that financial flows be consistent with low-emission pathways (Article 2.1(c)) and is irreconcilable with States' obligations of due diligence to prevent activities under their control that generate significant greenhouse gas emissions, as clarified in the International Court of Justice's recent Advisory Opinion (ICJ, 2025). The financing of high-emission fossil fuel projects by ECAs—using public funds—thus risks amounting to an

internationally wrongful act, as it contributes to global environmental harm that States are legally bound to avert.

The infrastructural carbon lock-in is further reinforced by the institutional and legal architecture surrounding these investments. Protections afforded to these projects as foreign investments through IIAs, national law and concession contracts together create a formidable system of institutional lock-in, shielding foreign investors from regulatory change and constraining Mozambique's sovereign capacity to realign its policies with climate imperatives. ISDS enables investors to seek exorbitant compensation for measures taken in pursuit of public interest, including future expected profit for projects that never started such as in *Tethyan Copper v. Pakistan*. For an economy of Mozambique's scale—its GDP reaching only USD 22.4 billion in 2024—the potential fiscal consequences of an adverse award are catastrophic. The mere threat of arbitration can exert a regulatory chill (Tienhaara 2018), deterring the adoption of measures in the public interest.

Moreover, these projects raise serious human rights concerns. The Mozambique LNG and Nacala Corridor projects have been implicated in widespread violations, including forced displacement, loss of livelihoods, and grave abuses linked to militarised project security (Perry 2023, 2024; HRW 2013; ADB 2016).

The resulting lock-ins—material, institutional, and normative—threaten to perpetuate inequities on the ground and in the international legal and economic order, externalising the costs of transition onto vulnerable states. States must reconcile their financing practices with their legal commitments. This requires a systemic reorientation of public finance toward renewables, accompanied by the reform of investment treaties that currently privilege investor certainty over planetary stability. Without such reforms, Mozambique's experience risks becoming emblematic of a broader failure: a world where international law shields carbon capital rather than humanity's shared climate future.

**Recommendations**

1. **Align ECA mandates and operations with climate objectives.**
   States must align ECA mandates with the objectives of the Paris Agreement and the ICJ's clarified obligations of due diligence. This requires phasing out all new support for coal, oil, and gas, and establishing clear timelines for the withdrawal of existing support. Public finance should instead be redirected towards renewables, decentralised energy systems, and climate-resilient infrastructure. ECAs' home states must adopt domestic legislation or binding administrative instruments to enforce this alignment and to guarantee that public finance contributes exclusively to low-carbon and climate-resilient development.

2. **Strengthening ECAs' transparency and accountability.**
   The opacity of ECA operations exacerbates risks of corruption, mismanagement, and social

harm. States should require ECAs to disclose the terms of their loans and guarantees, subject projects to rigorous climate and human rights impact assessments, and ensure meaningful participation of affected communities in decision-making processes. Transparency is essential not only for democratic accountability in home States but also for safeguarding host communities.

3. **Reforming investment protection regimes.**
   To restore regulatory space for climate action in host States, urgent reforms are needed to the international investment regime. Foreign investors operating in Mozambique have access to a wide array of protections and access to ISDS. Such wide-ranging regime should be curtailed to protect Mozambique's regulatory space. ECAs' home countries should support this reform in view of their climate obligations.

   States should renegotiate or terminate IIAs that provide excessive protections to fossil fuel investors, including those allowing ISDS for measures taken in the public interest.

   Mozambique should refrain from including stabilisation clauses in concession contracts and renegotiate existing contracts in order to amend existing stabilisation clauses.

   National investment law, instead of incorporating investment treaty standards, should facilitate investment in order to achieve policy objectives.[21]

4. **Redirect public and private finance toward renewable energy and just transition pathways.**
   To counteract the economic and institutional inertia of fossil fuel dependency, both Mozambique and the home States of ECAs should design and implement strategic financial reallocation mechanisms to support renewable energy deployment and just transition policies. This includes the creation of blended finance instruments, concessional credit lines, and capacity-building initiatives that prioritise decentralised, community-owned, and gender-responsive energy systems. Multilateral development banks and ECAs should collaborate to develop 'Paris-aligned portfolios' by 2030, ensuring that all new energy finance demonstrably contributes to the achievement of net-zero emissions and the Sustainable Development Goals (SDGs). This reallocation would not only enhance Mozambique's energy sovereignty but also reduce exposure to stranded assets and the economic volatility of fossil markets

[21] In this regard, see this useful IISD report: Bonnitcha J., Nikiéma S. H., and St John T. (2023) 'Rethinking National Investment Laws: A study of past and present laws to inform future policy-making'. Available at: https://www.iisd.org/system/files/2023-07/rethinking-national-investment-laws-en.pdf.

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# Annex 1: Fossil fuel mega projects supported by ECAs in Mozambique

## 4.1. Mozambique LNG

### Technical details

The Mozambique LNG Project is situated in the Rovuma Basin (Area 1) under a Research and Production Concession Contract signed in 2006. The consortium is led by Total E&P Mozambique Area 1, Limitada (26.5%), alongside Empresa Nacional de Hidrocarbonetos (ENH) (15%), Mitsui E&P Mozambique Área 1 (20%), ONGC Videsh Ltd (10%), Beas Rovuma Energy Mozambique Ltd (10%), BPRL Ventures Mozambique B.V. (10%), and PTT Mozambique Área 1 (8.5%) (INP 2025).The project is designed to process natural gas from the Golfinho and Atum fields through two Natural Gas Liquefaction Modules, with a capacity of 6.56 MTPA (Million Tonnes per Annum) each, making a total production of 13.12 MTPA (INP 2025). The first LNG cargo was initially expected in 2024, however the project has been suspended since 2021, when TotalEnergies declared *force majeure* due to ongoing conflict in the Cabo Delgado region (TotalEnergies 2021).

### Financing

The project is financed through a project finance scheme, whereby repayment obligations are secured solely against the project's assets and derived cash flows (JBIC 2020). The senior debt financing package amounts to approximately US$15 billion from nine ECAs (see Table 1). The project has also received a loan from the African Development Bank (AfDB) and involves twenty-one additional private financial institutions (JBIC 2020).

**Table 1: ECAs' loans and guarantees to LNG Area 1 megaproject.**

| Institution | Country | Amount | FY | Mechanism |
|---|---|---|---|---|
| Atradius Dutch State Business (Atradius) | Netherlands | $1,065,517,958 | 2020 | Guarantee |
| Atradius Dutch State Business (Atradius) | Netherlands | $211,017,522 | 2020 | Loan |
| Export Credit Insurance Corporation (ECIC) | South Africa | $800,000,000 | 2020 | Guarantee |
| Export-Import Bank of the United States (EXIM) | United States | $4,700,000,000 | 2019 | Loan |
| Japan Bank for International Co-operation (JBIC) | Japan | $536,000,000 | 2020 | Loan |
| Japan Bank for International Co-operation (JBIC) | Japan | $3,000,000,000 | 2020 | Loan |
| Export-Import Bank of Korea (KEXIM) | Korea | $500,000,000 | 2020 | Loan |
| Nippon Export and Investment Insurance (NEXI) | Japan | $2,000,000,000 | 2020 | Guarantee |
| Servizi Assicurativi del Commercio Estero (SACE) | Italy | $950,000,000 | 2020 | Guarantee |
| Export-Import Bank of Thailand (Thai Exim) | Thailand | $150,000,000 | 2020 | loan |
| UK Export Finance (UKEF) | United Kingdom | $779,308,651 | 2020 | Guarantee |

| | | | | |
|---|---|---|---|---|
| UK Export Finance (UKEF) | United Kingdom | $331,158,021 | 2020 | Loan |

Source: authors based on OCI (2025) and own data compilation

**Social and environmental impacts**

Since 2017, a violent conflict has escalated in Cabo Delgado, where LNG operations are being developed, with Islamist insurgents launching brutal attacks on civilians. The violence reached a peak in March 2021 when the port town of Palma, located near the Mozambique LNG project, was stormed by insurgents. More than 1,400 people were killed in what has been described as one of the deadliest terrorist attacks since 9/11, with mostly civilians, including foreign workers, among the victims (Perry 2024).

The insurgency has been closely linked to grievances around the exploitation of natural resources. Reports indicate that resentment of the LNG megaproject has fuelled local support for insurgents, who have capitalised on displacement, human rights abuses and corruption surrounding the gas industry (McGibbon, 2025).

In addition, credible allegations reported in 2024 describe a separate series of atrocities in mid-2021 carried out by Mozambican commandos operating from the LNG plant gatehouse. According to these reports, between 180 and 250 men were allegedly detained in shipping containers, tortured and killed, with only 26 survivors. While TotalEnergies has stated it had no knowledge of these alleged events, the claims raise questions about the company's security arrangements and its relationship with the Joint Task Force assigned to protect the site (Perry 2024).

The violence has also prompted international scrutiny of TotalEnergies, the lead company in the Mozambique LNG project. In France, prosecutors have opened a preliminary investigation into allegations of negligence and indirect manslaughter, following complaints that TotalEnergies failed to protect subcontractors during the Palma attack (Reuters, 2024).

Taken together, these dynamics illustrate how the LNG project has become entangled in the Cabo Delgado conflict, exacerbating instability and raising serious human rights and climate concerns. As noted in the introduction, this project also poses a significant threat to our climate system. Labelled a carbon bomb, it is expected to consume a significant share of the remaining carbon budget for 1.5°C and 2°C of warming (Kühne et al., 2022).

## 4.2. Coral South FLNG

**Technical details**

The Coral South Floating Liquefied Natural Gas (FLNG) project is located in Area 4 of the Rovuma Basin, under a Research and Production Concession Contract signed in 2006. The project is operated by Mozambique Rovuma Venture (MRV) — a joint venture of Eni, ExxonMobil and CNODC — holding a 70% participating interest. The remaining stakes are held by Empresa Nacional de

Hidrocarbonetos (ENH) (10%), Galp Energia Rovuma B.V. (10%), and KOGAS Moçambique Ltd (10%) (INP 2025).

Coral South is Africa's first deepwater FLNG project, with a production capacity of 3.4 million tonnes per annum (MTPA). It is designed to operate at sea, anchored about 80 km offshore at a depth of around 2,000 metres. It draws gas from the Coral reservoir, estimated to hold more than 16 trillion cubic feet (TCF) of recoverable gas reserves (NS Energy 2018). Production began in November 2022 (Eni n.d.).

**Financing**

The project is supported by six ECAs providing a total of US$5.2 billion (Table 2), alongside undisclosed commercial banks (NS Energy 2018).

**Table 2: ECAs' loans and guarantees to Coral South FLNG.**

| Institution | Country | Amount | FY | Mechanism |
|---|---|---|---|---|
| BPI France (BPI) | France | $591,595,200 | 2017 | Guarantee |
| Export-Import Bank of China (Chexim) | China | $500,000,000 | 2017 | Loan |
| Export-Import Bank of Korea (KEXIM) | Korea | $490,000,000 | 2017 | Guarantee |
| Export-Import Bank of Korea (KEXIM) | Korea | $510,000,000 | 2017 | Loan |
| Export-Import Bank of Korea (KEXIM) | Korea | $102,466,124 | 2020 | Loan |
| Korea Trade Insurance Corporation (K-sure) | Korea | $800,000,000 | 2017 | Guarantee |
| Servizi Assicurativi del Commercio Estero (SACE) | Italy | $700,000,000 | 2017 | Guarantee |
| China Export and Credit Insurance Corporation (Sinosure) | China | $1,550,000,000 | 2017 | Guarantee |

Source: authors based on (OCI 2025) and own data compilation

**Environmental and social impacts**

The project avoids some of the land-based security risks associated with Cabo Delgado but remains contentious in the context of the global carbon budget and Mozambique's dependence on fossil fuel exports. As noted in the introduction, the combustion of the extracted gas from this project is likely to consume a considerable part of the remaining carbon budget for 1.5 and 2C of warming. Beyond the combustion of exported gas, routine flaring at Coral South has released substantial volumes of greenhouse gases: in just six months of 2022, flaring accounted for more than 11% of Mozambique's total annual emissions (Ogno and Pastorelli, 2025).

## 4.3. Nacala Railway Corridor

**Technical details**

The Nacala Railway and Port Project is a major transport infrastructure scheme designed to connect the coal-rich Moatize basin in Tete province with the deep-water port of Nacala, through Malawi and

northern Mozambique. It is operated through a partnership involving Vale S.A. (35%), Mitsui & Co. (35%), and Portos e Caminhos de Ferro de Moçambique (CFM) (30%) (Mitsui 2016). The project comprises approximately 912 km of railway (of which about 682 km are new or rehabilitated in Mozambique and 230 km in Malawi), alongside the expansion of the deep-water port of Nacala-à-Velha (IJGlobal 2020; Club of Mozambique 2017). The line is designed to carry up to 18–22 million tonnes of coal per year from Moatize to the coast, while also providing passenger and general freight services for communities along the corridor (Mining Weekly 2018; IJGlobal 2020).

### Financing

The total project cost was estimated at US$5.15 billion, with US$2.4 billion in senior debt financing arranged by a consortium of three export credit agencies (ECAs) (Table 4). This financing package was supplemented by loans from the AfDB and ten commercial banks (six international and four South African). Rand Merchant Bank (RMB) acted as mandated lead arranger and extended US$113 million under cover from the Export Credit Insurance Corporation of South Africa (ECIC) to finance the corridor's expansion (Mining Weekly 2018).

**Table 3: ECAs' loans and guarantees to Nacala Railway Corridor**

| Institution | Country | Amount | FY | Mechanism |
|---|---|---|---|---|
| Export Credit Insurance Corporation (ECIC) | South Africa | $400,000,000 | 2017 | Guarantee |
| Japan Bank for International Cooperation (JBIC) | Japan | $1,030,000,000 | 2017 | Loan |
| Nippon Export and Investment Insurance (NEXI) | Japan | $1,000,000,000 | 2017 | Loan |

Source: authors based on (OCI 2025) and own data compilation

### Environmental and social impacts

The project has raised significant concerns over displacement, resettlement, and environmental disruption. According to the Resettlement Action Plan (RAP), hundreds of households were relocated due to railway rehabilitation works, with impacts on farmland, livelihoods, and community structures. Civil society organisations have also criticised the project's central role in supporting Mozambique's coal industry, which contributes heavily to global greenhouse gas emissions. As presented in the introduction, three projects alone in the coal-rich region of Tete have the potential of emitting of 8.5 $GtCO_2$ - six times Africa's annual emissions in 2023 – 1.42 $GtCO_2$. The development of this infrastructure, aiming at exporting coal, is likely to exacerbate the infrastructural lock-in of the country into an industry that is likely to become stranded due to climate measures. The Nacala Corridor has thus become emblematic of the contradictions between infrastructure-led development, fossil fuel dependency, and the rights of affected communities (Kirshner and Baptista, 2023).

# Annex 2: Contracts for Mozambique LNG and Coral South FLNG

For Mozambique LNG, the original EPCC was signed in 2006 between the Government of Mozambique, Anadarko Mozambique Area 1 Limitada (85%), and the state-owned Empresa Nacional de Hidrocarbonetos (ENH) (10%).[22] In 2017, the consortium was broadened through farm-in arrangements, bringing in Asian national oil companies—Mitsui E&P (20%), ONGC Videsh (10%), Beas Rovuma Energy (10%), BPRL Ventures Mozambique B.V. (10%), and PTT Mozambique Área 1 (8.5%).[23] In 2019, TotalEnergies acquired Anadarko's African assets for USD 8.8 billion, including its 26.5% stake in Mozambique LNG, thus becoming the operator of the project (Reuters 2019).[24] It is here assumed that the contractual conditions, as agreed by Anadarko, were inherited by TotalEnergies.

In the same year (2006), an EPCC was concluded between the Government of Mozambique, ENI East Africa, and ENH, under which ENI was granted a 90 per cent interest and ENH retained the remaining 10 per cent.[25] In 2017, Eni East Africa was renamed Mozambique Rovuma Venture, and was co-owned by Eni (35.7 percent), ExxonMobil (35.7 percent) and CNPC (28.6 percent). A 2017 complementary agreement enlarged the consortium to include Galp Energia (10%) and KOGAS (10%) and recognised the sale of shares by ENI.[26] Another complementary agreement was signed in 2019 to determine the terms for the financing, development and operation of Area 4 and the terms for the marketing, sale, and transportation of petroleum.[27]

Both initial EPCCs are based on the Mozambican 2006 *EPCC* Model Contract and are very similar in structure and substance.

Both contracts provide rights for an initial exploration phase and subsequent extraction for 30 years, making the duration of the contract last until 2044. Both contracts also provide for extension 'to take into account any period during which, due to *Force Majeure*, the Concessionaire is unable to execute the programme necessary to exercise a right, fulfil its obligations, or enjoy its rights under

[22] *Contrato De Concessão Para Pesquisa E Produção Entre O Governo Da República De Moçambique E Anadarko Moçambique Area 1 Limitada E Empresa Nacional De Hidrocarbonetos, Para Área 1 'Offshore' Do Bloco Do Rovuma República De Moçambique E.P.*(2006)(EPCC with Anadarko, 2006).
[23] *Adenda Ao Contrato De Concessao Para Pesquisa E Produção Da Area 1'offshore' Do Bloco Do Rovuma* (2017).
[24] https://www.reuters.com/article/business/finance/oil-major-total-closes-purchase-of-anadarkos-mozambique-lng-asset-idUSKBN1WF0HM/
[25] *Contrato De Concessão Para Pesquisa E Produção Entre O Governo Da República De Moçambique E Eni East Africa S.P.A. E Empresa Nacional De Hidrocarbonetos, E.P. Para Area 4 Offshore Do Bloco De Rovuma República De Moçambique*' (2006)(EPCC with Eni East Africa, 2006).
[26] *Acordo Complementar do Contrato De Concessão Para Pesquisa E Produçãao da Área 4* (2017)(Additional Agreement to EPCC with ENI East Africa, 2017).
[27] *2 Acordo Complementar ao Contrato De Concessão Para Pesquisa E Produção da Área 4 Offshore Do Bloco Do Rovuma (2019)* (II Additional Agreement to EPCC with ENI East Africa, 2017), clause 2.

this Agreement.'[28] Given that TotalEnergies had declared *force majeure* in 2021, the contract is likely to be extended for at least 4 years at the time of the writing.

Both EPCCs provide for ISDS and indicate arbitration as the only method to resolve a legal dispute,[29] thereby granting the investor the right to directly initiate an ISDS claim without first exhausting local remedies. These conditions are extended to the new operators and terms agreed through the additional agreements.

Moreover, the EPCC with Anadarko and the subsequent agreements all determine the nationalities of the investors. In the EPCC with Anadarko, the parties agreed that Anadarko (originally USA) is considered a Mauritian entity for the purpose of arbitration (ICSID, more precisely).[30] The nationalities of all the other companies are also specified in the additional agreements. For instance, for the Mozambique LNG project, BPRL Ventures Mozambique B.V., a subsidiary of the Indian Bharat Petroleum Corporation Limited, is registered as a Dutch company. The same applies to GALP, which is constituted as a Dutch entity. Further, the first Additional Agreement to EPCC with ENI East Africa further defines the co-owners of the Mozambique Rovuma Venture – Eni, ExxonMobil and CNPC – as the company or any affiliated company.[31]

This shows the vast reach of the global energy companies through their complex web of subsidiaries and affiliated companies, through which they can access ISDS.

Both EPCCs also provide protection against direct and indirect expropriation, with a very broad wording, similar to the wording of IIAs.[32] They also present various stabilisation clauses, which provide that the conditions of the agreements, including the legal environment remains unchanged for the duration of the contracts, or not applicable or otherwise compensated (Di Salvatore et al. 2023). In other words, both contracts, and their extension through the additional agreements *de facto* inhibit Mozambique's duty to regulate for the duration of the contracts. Any measure that may affect these projects, even for the public good (Di Salvatore et al. 2023), are likely to be challenged by the operators through ISDS with a hefty price tag.

[28] EPCC with Anadarko, 2006, art 25.4.
[29] EPCC with Anadarko, 2006, art 30; EPCC with Eni East Africa, 2006, art 30. The contracts further stipulate that non-legal disputes are to be resolved through recourse to an independent expert (art 30.5).
[30] EPCC with Anadarko, 2006, art 30.3.a
[31] Additional Agreement to EPCC with ENI East Africa, 2017, art 1.1.
[32] EPCC with Anadarko, 2006, art 27; EPCC with Eni East Africa, 2006, art 27.

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