PIPE DREAMS:
INVESTING IN A DIRTY INDUSTRY

The case of Mozambique

GLOBAL AKTION

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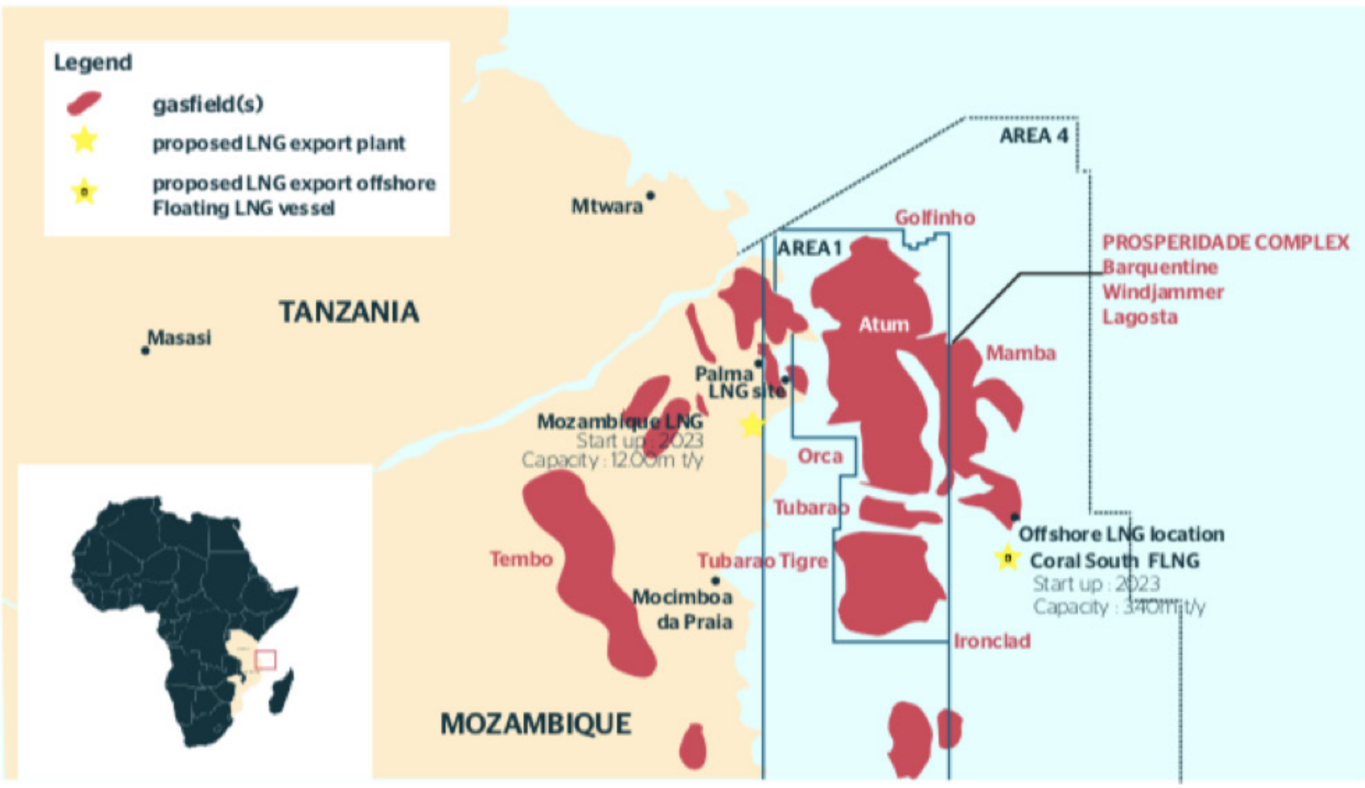
ABSTRACT

Mozambique is one of the poorest countries in the world. However, it is rich in natural resources, particularly coal and gas. The country itself has not been able to profit from these resources due to heavy investments from transnational companies. In the case of gas extraction in the North of the country the companies involved are Anadarko Petroleum, Eni Spa, ExxonMobil and Total S.A.

This report outlines the violations these companies have committed, both against the climate and concerning human rights since they started working towards the extraction of gas in Mozambique. The reported findings are based on research by Global Aktion and through documentation from the Mozambican NGO, Justiça Ambiental, which has been present in Cabo Delgado for many years.

Furthermore, this report seeks to map the investments of Danish pension funds and Danish banks in the above-mentioned companies that are investing in violations against human rights and against the climate. These investments help legitimize the actions and violations committed by transnational companies. Therefore, we urge the Danish pension funds and banks to withdraw their investments from any gas related project in Mozambique.



Introduction

It is difficult to identify another time in modern history where climate change and climate politics have been in the spotlight as much as they are today. Australia is literally on fire, and weather phenomena that should belong in a sci-fi-universe, in a galaxy far, far away, are starting to happen here on Earth. Even though a young girl from Sweden took it upon herself to raise awareness on a global scale; that we have to stand together in order to halt climate change; that we must move beyond fossil fuels in order to adhere to the international climate agreements from the Paris conference COP21, the fact is that investments of billions of USD are still being channelled into fossil fuels such as coal, oil, and gas.

In many cases, these resources are found in fragile states that are prone to corruption and that are struggling to meet the basic needs of their people. Transnational companies (TNCs) often take advantage of these situations and exploit the natural resources.

An earlier report made by Global Aktion in 2018 shed light on the problems that have been taking place in Mozambique since 2009, when TNCs, including Danish pension funds, invested heavily in Mozambique's coal mines, leading to human rights violations towards the local communities of the Tete province and, more broadly, creating a highly polluting industry that negatively affects the local climate and is worsening the global climate crisis.

Gas is the new coal

In our 2018 report, Global Aktion made a request to Danish investors to pull out from the coal industry in Mozambique, both in response to the human rights violations that had taken place, and to combat the discrepancy between the pension funds' lack of sustainable investments, and their championing of such investments in their CSR strategies and towards their members. Global Aktion played an active role in making Danish pensions funds withdraw from the coal industry.

Despite this positive result, we are once again facing a similar issue. The exploration and exploitation of natural resources in Mozambique is still happening. The investors include Danish pension funds and banks. The only new part in this equation is that coal mining has been substituted with gas extraction. Since 2009, a total of 2,428 billion cubic meters of potentially recoverable fossil gas has been discovered off the coast of Northern Mozambique. This is one of the biggest finds on a global scale in recent years. Since then, several TNCs have rushed to sign agreements to purchase and exploit this gas with investments coming from all over the world, including from Danish pension funds and banks. It is estimated that these investments could potentially generate 290 billion USD in profit. However the cost would undoubtedly be severe - negative repercussions on the local environment, the climate, and on the lives of the local communities.

Mozambique as a fragile state

In 2006, Mozambique ranked 80th on the Fragile State Index, which at that time was considered a favourable position as compared to other African nations. Unfortunately, Mozambique's status according to the Fragile State Index has worsened almost every year since then, and in 2019 it was ranked 33rd. This makes Mozambique one of the top six countries in the world where the situation worsened the most in the last decade, together with Yemen, Syria, Mali, Libya and Venezuela.

What is the Fragile State Index?

The Fragile State Index measures how 'failed' a given state is. It is measured by four indicators: Cohesion, Economic, Political and Social indicators. The best ranked nation is currently Finland, ranked number 178th while the infamous 1st goes to Yemen.

The ‘resource curse’ in Mozambique

Not only is Mozambique one of the poorest and least developed countries in the world, but it is also one of the most heavily indebted. Out of its 30 million inhabitants, it was estimated in 2014 that 62.4% of the population lived below the international poverty line, making the inequality gap within the population one of the biggest in the world. This gap has been intensified due to the extraction of Mozambique’s natural resources and the inevitable land grabbing.

Furthermore, only 49% of the population have access to clean water and only 20% have access to electricity, even though Mozambique is rich in natural resources such as gas and coal. While one might expect that the Mozambican liquid natural gas (LNG) project would benefit the large percentage of Mozambican citizens lacking access to electricity, this is not the case. In fact, the majority of the gas, once transformed, will immediately be exported to other countries, in particular markets in Asia and Europe.

Additionally, in order to build and maintain the infrastructure required for this LNG project, the government will need to **divert funds that could instead be spent on other more sustainable investments** such as renewable energy development, education and social programs. Similarly, heavily investing in infrastructure for LNG processing and building up supply chains around this will force the Mozambican economy to become dependent on a non-renewable energy source, consequently making any transition towards renewable energies more difficult in the future.

While one could hope that investments in extractive industries would boost Mozambique’s economy and help lift the country out of its status as a fragile state, evidence from other low-income, resource-rich countries shows that this is unlikely to be the case. Several researchers highlight that long-term development strategies based on oil and gas have little chance of success.
Indeed, there is only a handful of resource-rich countries that have actually succeeded in achieving balanced eco-

“When we invest in energy, the future shines.” Advertisement of Standard Bank who invests in the gas extraction in Mozambique.

Danish investments in the Mozambique LNG projects

At Global Aktion, we have investigated which Danish pension funds and banks invest in the four major companies that have been involved in the gas industry in Cabo Delgado. These companies are Anadarko Petroleum, Eni Spa, ExxonMobil and Total SA, as shown in the figure below.

nomic, political, and social development based on oil and gas extraction. One example is Norway, which, unlike Mozambique, was a high-income country with strong institutions at the time of its resource discovery.

The reality for most low-income, resource-rich countries, is that investments in resource extraction are likely to lead to overconsumption, loss of competitiveness, a lack in innovation and productivity, as well as an increase in the risk of political unrest and conflict. Many experts refer to such a situation as the 'resource curse', and there have already been warnings that Mozambique's gas projects will minimize the country's chances of overcoming the 'resource curse'.

A country devastated by climate change

In the past year, Mozambique's economy has been under additional pressure due to the natural catastrophes caused by the tropical cyclones Idai and Kenneth. These cyclones did not only impact the national economy, but also ruined local crops, houses, and families.

According to the UN, Cyclone Idai may have been the worst disaster to strike the Southern Hemisphere so far, affecting close to 2.2 million people in Mozambique, Zimbabwe and Malawi, and damaging or destroying more than 100,000 houses. Meteorologists and climate experts do not hesitate to link these events to anthropogenic climate change.

The consequences of extracting gas

Natural gas is currently seen as an important investment opportunity for TNCs aiming to invest in African resources and is sometimes depicted as a more environmentally friendly alternative to coal. However, gas extraction still causes long-term negative effects on the environment and contributes to climate change. It is almost impossible to avoid serious harm towards all animal life, including mammals and oceans plants, when extracting oil or gas. Reports show that even predrilling - prior to the stage of natural resource extraction - can affect animals even hundreds of kilometres away. Thus, gas extraction not only increases pollution levels, as outlined below, but also poses a threat to biodiversity.

A new Eldorado: Cabo Delgado's gas reserves - Area 1 & Area 4

The two areas, Area 1 and Area 4 are where the gas projects in Cabo Delgado are taking place are called Area 1 & Area 4, spreading over more than 2.6 million acres only 40 kilometres off the coast of Mozambique (see illustration page 3).

These projects have the potential to result in a huge release of greenhouse gas emissions, especially methane, which could increase the whole of Mozambique's greenhouse gas emissions by 14%. Methane is released into the atmosphere through leakages when natural gas is processed into LNG and is in many ways similar to CO2, but it is considered to be 21 times as polluting. However, if you calculate the potential damage in a 100-years' time frame, methane is measured to be more than 100 times as potent as CO2 due to its lasting impact on the atmosphere.

Therefore, methane should be seen as a major contributor to greenhouse gas emissions, severely aggravating climate change. Ultimately, gas extraction based in Mozambique will contribute to the global problem of climate change that has already impacted the country in the form of two major cyclones in one year.

Climate change does not only impact weather conditions, but it also causes longer periods of drought and irregularities in the rainy season, making the harvest less fruitful. This contributes to food scarcity, a problem that has far-reaching consequences in countries across the African continent. It is currently estimated that 45 million people in Southern Africa are already in danger of starvation as a result of climate change and economic instability. This begs the question of why many investments, such as those by Danish pension funds and banks, continue to be directed towards industries such as gas.

Methane

It is difficult to measure just how much methane leaks into the atmosphere because its leakage has not been properly monitored. What we do know is that more than 10% of all the methane escapes along the supply line. We also know that leaked methane emissions are higher for liquefied gas shipped in gas tankers (LNG), because the liquefaction and transportation cause leaks of gas into the atmosphere.

Human rights concerns in the local communities

In addition to the threat that the gas industry poses to the environment and to the climate, the Mozambique LNG projects have already caused numerous negative effects on the local communities in Cabo Delgado.

Forced removals

With large infrastructure to be built, the project augments the pressure on land in the province. In fact, 7000 hectares of land are already taken up by the project, while related infrastructure to support the delivery of the gas extraction and exportation will further remove land from communities. As reported by Global Aktion's Mozambican partner Justiça Ambiental (JA!), this has resulted in the displacement of 556 families from the villages of Milamba and Quitupo that have been forcefully removed without receiving proper and appropriate compensation with severe implications on their livelihoods. For example, the projects have taken away people's agricultural land, and have instead provided them with compensatory land, which is far from their homes and in many cases not arable. Moreover, fishing communities, who are used to living within 100 meters of the sea, are now being moved 10-15 km inland and thus losing their main source of income on which they have relied for generations. One of the local fishermen, Mr. Burahani, spoke with JA!, and explained heartfully his forceful removal thus:

"Now we will be resettled from the sea and personally, I don't know how to do anything but fish."

It is not only forced removals that are highly problematic in this situation. Companies like Anadarko Petroleum, Eni Spa, and ExxonMobil have all refused to engage in proper conversation with the fishermen and farmers they have removed in order to exploit the gas reserves. Farmers that own five hectares of land will be compensated with 1.5 hectare, and people who own 64 hectares of land are also going to be compensated with 1.5 hectare. How this calculation can be considered appropriate and fair can only be answered by the gas companies, as local communities were not given the right to choose.

Finally, considering the development of the project, there are an additional five communities, totalling around 2000 families, who are at risk of removal in the future. This indicates that the impact of the gas projects will be even greater in the future, and that TNCs will keep removing locals in order to gain profit.

Violent attacks

Over the last year, attacks on villages by what the government has named 'Islamic terrorists' have increased. Since the attacks began in 2017, over 200 people have been killed. Many communities, with whom JA! works on a close and regular basis, believe that these attacks are in some way linked to the gas industry, because they only began once industry players became visible in the area. These attacks have led to the area becoming highly militarised and securitised as the Mozambican army is visibly present. Although their official mandate is to protect communities, the military and security officers have been known to drink alcohol on duty and impose random curfews on villages. There have been instances where the army has arrested people at random, who then disappear. There is also a burgeoning private security industry, with local and foreign c companies in the area, many of whom have not fulfilled the legal requirements to work in Mozambique.

Given all of the dimensions outlined above, it is clear that this situation represents an unequal and unsustainable development pathway supported by the government of Mozambique that is detrimental to the local communities.

Danish investments in Mozambique LNG projects

At Global Aktion, we have investigated which Danish pension funds and banks that invest in the four majhor companies that have been involved with the gas industry in Cabo Delgago. These companies are Anardarko Petroleum, Eni Spa, ExxonMobil and Total S.A.

Danish investments in gas in Mozambique

Anadarko Petroleum was leading the project in Area 1 until 2019 when it sold its African assets to Total SA that has since taken over the project. Eni Spa and ExxonMobil are the main partners leading the Area 4 gas project. The Danish pension funds and banks that hold investments in these companies are indirectly investing in the gas industry in Cabo Delgado. Through their investments, these funds are linked to human rights violations, and millions of tons of greenhouse gas emissions that pose a threat to both humans and animals. Most of these Danish pension funds advertise that they invest in renewable energy sources, but they fail to tell explicitly that they also invest in coal, gas and oil.

The following figures illustrate what pension funds and banks invest in the companies listed below:

Danish Pension Funds:	Invested in:
AP Pension	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
ATP	Anadarko Petroleum; Eni Spa; Total S.A.
DANICA	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
Industriens Pension	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
Lægernes Pension	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
Lærernes Pension	ExxonMobil; Total S.A.
MP	Eni Spa
P+	Anadarko Petroleum; Eni Spa; Total S.A.
Pensam	ExxonMobil; Total S.A.
Pension Danmark	Anadarko Petroleum; ExxonMobil; Total S.A.
PFA	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
PKA	Eni Spa; Total S.A.
Pædagogernes Pension	ExxonMobil; Total S.A.
Sampension	Anadarko Petroleum; Eni Spa; ExxonMobil
TopDanmark	Total S.A.
Velliv	ExxonMobil; Total S.A.

Danish banks:	Invested in:
Danske Bank	Anadarko Petroleum; Eni Spa; ExxonMobil; Total S.A.
Jyske Bank	Eni Spa; ExxonMobil; Total S.A.
Nordea	ExxonMobil; Total S.A.
Nykredit	ExxonMobil; Total S.A.
Sydbank	Eni Spa

Danish banks who invested in the gas industry, data collected October 2019 - December 2019.

Responsible investments

All these pension funds that are investing in at least one of the main companies involved in the gas extraction projects in Cabo Delgado have formulated their own policies on social responsibility in investments. This information is publicly available on the funds' websites. As an example, ATP writes that the aim of its policy is "to ensure that ATP also includes considerations for the environment, climate, human rights, labour and management issues in its risk management and investment processes in line with other business conditions and risks". To do this, the fund bases its screening process on the UN Global Compact principles and the OECD Guidelines for Multinational Enterprises and Guidance for Institutional Investors.

Similarly, PFA bases its responsible investment policy on international standards and principles regarding how to be a responsible investor with consideration to human rights, climate, and environmental issues. These include, other than the ones listed by ATP, the UN Sustainable Development Goals, the Paris Agreement, and the UN Guiding Principles for Business and Human Rights. PFA has hired the screening company GES to screen their investments according to the principles outlined in their policy. This is a practice adopted by most pension funds.

As we carried out our research, we also reached out to each pension fund and bank in order to confirm their investments. During this process, PFA told us that they will stop their investments in Anadarko Petroleum in 2020, and Industriens Pension will stop their investments in ExxonMobil. Specifically, Industriens Pension refers to "a lack of adaptation to the green transition and not least a lack of willingness to engage in dialogue" by ExxonMobil as reasons to withdraw its investment.

It is also important to note that some funds have already blacklisted ExxonMobil, along with other oil and coal companies, due to the fact that their activities contribute to climate change. For example, Lægernes Pension and P+ have blacklisted ExxonMobil, while Lærernes Pension has blacklisted the oil and gas company Shell and the mining company Vale. The latter was one of the targets of Global Aktion's 2018 report on coal mining.

This begs the question: why do some pension funds blacklist a company like ExxonMobil for climate-related reasons, while others still invest in it even though they all have very similar responsible investment policies? It is controversial that these funds have policies for sustainable investments, and champion their adherence to, for example, the UN Global Compact, the OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human rights, while they hold investments in companies that are actively engaged in fossil fuel projects. How can these companies claim to adhere to such values while their actions suggest otherwise, directly contributing to climate change and human rights abuses?

Conclusion

To the Danish pension funds and banks:
We urge the Danish pension funds and banks to disinvest from companies that are involved in the gas industry in Cabo Delgado, and fossil fuels as a whole. At the very least, the funds should initiate a process of review of the activities and projects of these companies to make sure that these investments are in alignment with their sustainability policies. The Danish pension funds do have a responsibility for their investments and the subsequent consequences. It is therefore crucial for the Danish pension funds to start a dialogue with the companies they invest in.

To the companies Anadarko Petroleum, Eni Spa, ExxonMobil, Total S.A.: Firstly, we urge the companies to stop investing in fossil fuels projects fossil fuels and instead start the transition towards sustainable resources.

Secondly, we urge the companies to ensure that they live up to the international human rights standards and guidelines and that the people of Mozambique get a chance to be properly compensated for the land that was removed, and that they get a right to say no to the companies taking land that in some cases have belonged to families for centuries.

To the members of Danish pension funds and banks: Demand more transparency from your bank and/or pension fund. Question the investments that violate human rights, question the investments that make it harder to save the Earth. If you put pressure on the banks and pension funds, you can help change their investments.

Methodology

This report was developed on the basis of accounts and materials from our Mozambican partner Justiça Ambiental, and on research carried out by Global Aktion's Gastivist group on Danish pension funds and banks' investments. Justiça Ambiental is recognised as a leading Mozambican NGO working on the environmental and social impacts of Mozambique's uncontrolled and unsustainable development.

JA! supports communities by providing strategic and technical advice, information and capacity-building with the aim of strengthening their voices. For many years now, JA! has been working closely with the local communities in Cabo Delgado and has thus been able to report on the impacts of the gas industry on the ground.

The purpose of the investigative research on Danish pension funds and banks' investments was to find out whether these hold investments in the four main companies involved in the gas projects in Cabo Delgado: Anadarko Petroleum, Eni Spa, ExxonMobil, and Total S.A.

We investigated a total of sixteen pension funds and five banks. We retrieved investments lists from each fund's webpage, where available, and later contacted each fund in order to confirm their investment details. Among the ones contacted, these funds never answered our inquiries: Danica, MP Pension, Nordea Bank, Sampension, and Velliv.

As a second step in our research, we also looked at the responsible investment policies of each fund with the aim of assessing their stance on sustainable investments, climate change, and human rights.

About Global Aktion's Gastivists

Global Aktion (GA) is a solidarity movement with roots in the anti-apartheid movement. GA fights together with other social movements across the globe for structural and political change to eradicate global inequality.

The Gastivist group is driving Global Aktion's efforts in researching and campaigning for better understanding the role of natural gas in the energy transition and its perceived role as a bridge fuel. It comprises of activists that strongly believe that society needs to get to 100% renewable energy as soon as possible in light of the climate emergency. The Gastivist group has been working closely with JA! for a year now and is currently initiating a two-year-long project to address issues related to gas extraction in Mozambique.

"When we invest in oil and gas, new industries are born". Advertisement of Standard Bank who invests in the gas extraction in Mozambique.

Footnotes

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