



Editorial

Dear Reader! Welcome to the latest issue of Energy & Mining Mozambique, your biweekly news channel for the mining sector in Mozambican territory.

Now, assuming that whatever the political action of government or organization implies communication, we may risk to say that Politics is communication.

To rule, to oppose, defend a cause, an ideology, among others, all goes through communication.

Whatever the political organization of the State, the very legitimacy of the system is based on this ability to communicate well and efficiently using the communication tools available in the society. The more information available, the better knowledge about governance, transparency of a State, stronger the democracy of that territory will be.

An effective communication policy for all, helps, and cooperates and it is a vertical element of good governance and transparency for determined government and its respective people it represents. Which make us once again to assert that the more empowered the media, people will only be grateful.

However, not occasionally, the difficulty of a government to communicate with his people has been placed as one of the major problems of governance around the world. Mozambique is no exception to this rule!

As a scholar, individual, mining executive or even a mining industry professional you can make sure you receive Energy & Mining E-Magazine biweekly by sending us your email address and join the fastest growing circulation mining industry publication in Mozambique.

Until next time!

POLITICAL RISKS IN THE EXPLOITATION OF NATURAL RESOURCE: THE MOZAMBIQUE CASE



Risks must be taken into account in any commercial activity, any investment, large or small. It is something that investors should only manage because in essence are hard to avoid. In this article we bring out a brief discussion of the political risks in large investments in the extractive sector, particularly in the exploitation of natural resources, looking at the particular case of Mozambique. As we all know political risks are "ubiquitous" in this sector, especially for developing countries, well-known for having weak institutions and interest groups in constant disputes.

IT IS understood by political risk the ability of a particular political action to impact the economy and the markets. No different than any other form of risk - as the well-known economic, credit risk or even natural disasters - political risks are generally more difficult to quantify and predict, which is why they are often ignored by governments or by large corporations (Holt, 2013).

As suggested by Tim Holt(1), essentially, when a State is unable to guarantee

the security, increase revenue or meet the expectations of its people in relation to their social and economic needs; instability and uncertainty are probably possible the failure. Meanwhile, the limits of the indeterminate State capacities can produce serious challenges for supply chains, which as risks transcend borders, regions and sectors. To these aspects, join unsolved so-

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ciopolitical tensions, founded in ethnolinguistic, religious and ideological

cracks.

One example brought by this author, is that of the Sahel(2), where armed groups in a combination with organized

criminals and fundamentalists operate across borders, taking advantage of power vacuums, social tensions and inadequacies security exacerbated by poor governance.

Tim Holt's references leads us to reflect on Mozambique, as a country with great potentialities of natural resources, which has a growing extractive industry and investments registering rampant levels ever seen in the country's history. Along with this growth, expectations also rise and pressure on the government is also higher, the perception and feeling of exclusion is permanent in several interests and social groups. All these aspects naturally increment political risks.

Therefore, an important front is opened for the governments especially beware all the contours of natural resources exploitation, it is necessary to make a contextual analysis of that exploitation and not to overlook all the social cues that point toward the onset of a social and political military catastrophe. For being so, all the effort of rebuilding a country and hope to have a stable Mozambique may vanish away. Political risks for themselves draw attention to the importance of embarking on the good governance, transparency, accountability, social inclusion; these aspects should be permanent in the conduct of the nation.

However, the political risks are not only the responsibility of the government; the companies involved in the exploitation of natural resources play a key role. It is important for companies to understand the impact of their activities in the community as alerted by Holt.

There is a need to realize how corporations' resources influence the dividers and connectors in the region, fueling capabilities of stability or escalation of conflicts; in this context, it is crucial that corporations collaborate horizontally with communities and government to mitigate, shape and avoid these constant threats. ■

COMPANIES & MARKETS NEWS

Mozambique: Ncondezi Coal attracts major new investor

The Ncondezi Coal Company has acquired a new cornerstone investor. It is Kulczyk Investments, which now holds a 9.2% direct interest in the Mozambique mining and power group.



KULCZYK is described as an international investment company, focused on opportunities in global emerging markets, with a strategic focus on energy industries, mineral resources, infrastructure and real estate.

Kulczyk has interests in oil and gas assets in many of the exploration hotspots as well as stakes in AIM-listed San Leon Energy and Zanaga Iron Ore.

"The increase in ownership effectively amounts to a strategic invest-

ment from a well-funded, experienced IPP investor and could indicate Kulczyk may have a larger role to play in project funding once the power purchase agreement has been finalized with the Mozambique government. The trade should also clear out the recent stock overhang", City broker Liberum said.

In a separate announcement it was revealed institutional investor Henderson had taken its stake in the Ncondezi below 5%. ■

MOZAMBIQUE MINING INDUSTRY EVENTS:

4th ANNUAL MOZAMBIQUE COAL CONFERENCE



SINCE its inaugural event in 2010, IMM's Mozambique Coal Conference has been the premier event on global coal industry; has turned to hear Mozambican Government Ministers, leading and emerging coal industry stakeholders discussion on current and new projects and the infrastructure-related challenges, including key aspects of transport logistics, rail, roads and ports.

Featuring 20+key speakers including:

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- Roger Downey, Executive Director of Fertilizers and Coal, VALE;
- Yasushi Aoki, General Manager, Raw Materials Development, Nippon Steel & Sumitomo Metal Corporation;
- Andrew Woodley, Managing Director, Rio Tinto Coal Mozambique.

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Off the back of our successful Coal Mozambique 2012 event, supported by the Mozambican Coal Development Association (AMDCM) and endorsed by the Ministry of Mineral Resources, Mozambique Mining IQ is pleased to announce the **3rd Annual Coal Mozambique 2013 conference** taking place in Maputo, Mozambique on 4 – 6 September 2013.

Mining IQs **3rd Annual Coal Mozambique 2013** conference will provide you with ideal platform to discuss vital issues transforming this dynamic sector and meet with the regions key decision makers driving change. Hear from leading coal producers on the progress taking place on how production levels are increasing and what prospects do they face in getting their coal to port, how will Mozambique 's coal infrastructure adapt to transport increasing quantities of coal into the export market and how can key projects overcome logistical challenges to secure the necessary funding.

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- project updates – getting coal to the export market;
- balancing the social implications of coal development, Mining operations and economics;
- improving training systems to drive domestic skills development;
- update of the Mining Law;
- assessing the buyer's market – Mozambique's competitive positioning in the global coking coal market;
- regulatory and investment opportunities.

For more information visit www.coalproductionmoz.com or email enquiry@iqpc.co.za or call 011 275 0126.

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MOZAMBIQUE COAL

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ENERGY & PRODUCTION

MOZAMBIQUE: When a Country Starts to Fulfill its Energy Potential

It appears that Mozambique is finally getting a bit of steam under its belt as it wakes up and realizes it has potential to become an energy giant. Only after oil prices started to increase around 20 years ago did exploration really begin seriously in Mozambique. Then, following large discoveries by Sasol, Anadarko, and Eni during the last ten years, people started to take note and more companies began to show an interest in the area hoping for more big findings.



NATIONAL Enterprise of Hydrocarbons, Anadarko, Mitsui, Bharat PetroResources, Videocon, and PTTEP all own a stake in the Area One block in Mozambique, which they claim holds as much as 100 trillion cubic feet of natural gas. Block four is controlled by Eni, Galp Energia, Kogas, ENH, and China National Petroleum Corporation, and they claim that it boasts 80 trillion cubic feet of gas.

The size of discoveries being made are sufficiently large to warrant a major LNG export project. Phase One will be ready to begin operations in 2018, and will comprise four LNG trains with a capacity of 5 million tonnes a year.

Most of this LNG will be exported to Asia where demand for natural gas is growing rapidly and pushing prices higher. Plans exist to then expand the facility in the future. (By. Joao Peixe of Oilprice.com) ■

COAL & PRODUCTION

Moatize Mine: Vale Mozambique beats record for coal extraction in the country

THE VALE Moçambique mining company set a new record in June by extracting 509,000 tons of coal and a new mineral outflow maximum by transporting 300,000 tons of coal on the Sena railway line, Altiberto Brandão, Vale Mozambique Coal Operations Director, said.

According to Altiberto Brandão, the company had been producing at maximum capacity since April 2012 and that in June it beat the production record at the Moatize mine in Tete province with 509,000 tons.

Brandão made his comments at a coal conference that opened on Monday in Maputo. Vale Moçambique plans to export 3 million tons this year, versus last year's figure of 2.6 million tons, he added.

The Brazilian group has invested nearly US\$1.9 billion in operations at Moatize in Tete and plans to invest a further US\$6.4 billion to expand production at the mine and on logistics projects, specifically construction of a railway line linking Moatize to the port of Nacala via Malaw.(M) ■

Briefs

Chinese group Africa Great Wall Mining Development to exploit heavy sands in Zambezia



THE AFRICA Great Wall Mining Development Company, Ltd, a firm backed by Chinese capital, plans to begin exploiting and processing heavy sands in the Nicoadala, Inhassunge and Chinde districts of Mozambique's Zambézia province at the end of this year.

The start date depends on approval of the environmental impact study to be examined this August by the Zambézia provincial government. With an estimated investment of US\$130 million, the project also involves the construction of port facilities in Quelimane, road improvement work and other expenses of a social nature. ■

Afrifocus Resources prospecting for titanium in Angoche, Nampula

AFRIFOCUS Resources Limitada, a company with Indian capital, has obtained a license to prospect for titanium and other associated metals on islands off the coast of the Angoche district in Mozambique's Nampula province, the district's head of economic activity services said.

Miguel Massunda Júnior said the prospecting would take place during a one-year period and focus on Catamoio Island, the biggest of the Angoche islands, as well as the area of Aúbe administrative post and along the Meluli River. ■

WOMEN IN MINING

Women still being hassled in male-dominated mining environment

Employing women without careful consideration in the traditionally male-dominated mining environment has led to exploitation and sexual harassment, says David van Wyk, chief researcher at the Bench Marks Foundation.



“EVEN THOUGH The Bench Marks Foundation has highlighted the issues surrounding women in the mining industry in various research reports on the social, economic and environmental performances of mines, the first of which was released in 2007, the foundation is still receiving reports of a lack of facilities for women in some mines and we find that women often still find themselves as the objects of sexual harassment,” The Bench Marks Foundation executive director John Capel said in a statement.

Research conducted by the foundation through community monitors who regularly interact with mining communities in and around the Rustenburg area, suggests that women can often not fulfill the demands of the working environment, for whichever reason, and men then offer to take over their work in exchange for sexual favors, says Van Wyk.

He points out that interviews conducted by University of the Witwatersrand radio station Voice of Wits FM last month confirmed the results of the research done by The Bench Marks Foundation.

MEN complain that the women on their teams are to be blamed for targets not being met, which again leads to transactions involving sexual favors to compensate for what men regard as the handicap of having a woman on the team,” Van Wyk states.

Meanwhile, most of the men employed at the mines are mi-

grant workers, the women tend to come from the local community, which makes the situation more complex, as most of these women are married to men who are unemployed.

Should the women then fall pregnant, tension in these homes increase as their husbands often claim that they do not know who the father of their wives’ children is.

“There are many things that need to be considered when a woman is employed in a male-dominated environment, to which the Mining Charter does not pay sufficient attention to,” says Van Wyk.

According to Van Wyk, the movement promoting more gender inclusion in the mining industry does not take into consideration that, the mining work process had to be carefully studied to determine ways in which women could be deployed that would not lead to their exploitation.

Van Wyk suggests that women be employed as machine operators or drivers, jobs where women would not be physically mixed with men.

However, these women would then

require special training to do the work, which is something that would have to be dealt with by the mining company in question.

“Further, mining companies would also have to re-design the bonus system, as women who are deployed in secondary roles currently do not have the option of getting access to performance bonuses, which, in turn, also leads to sexual transactions, as women are seeking ways to supplement their basic wage.

“The fact that more sexual transactions take place towards the end of the month as women attempt to get access to some of the money coming through the bonus system has been confirmed by a mine personnel manager,” he says.

The Bench Marks Foundation believes that governments should regularly investigate the working conditions for women employed at mines, while mining companies should pay more attention to these employees.

“Mining companies should conduct their own research on the matter and they should be honest about the findings”, added. ■

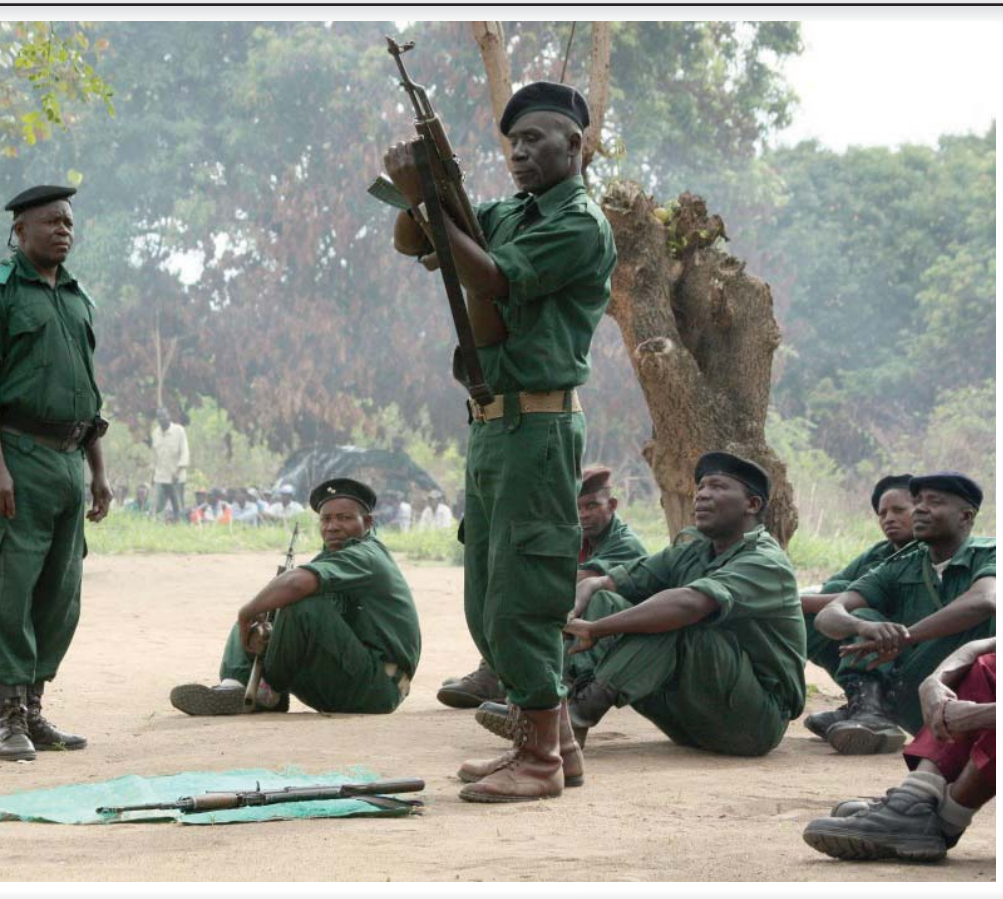
Three dignitaries go into diamonds



THREE prominent members of Frente de Libertação de Moçambique (FRE-LIMO), specifically two former and one serving minister, are becoming increasingly involved in working precious stones in the country. ■

Are we already living the resource curse phenomenon?

Mozambique might be in the situation of “resource curse” - this is a warning issued by national and foreign NGOs in a meeting in Maputo, the capital city, criticizing various aspects of resource management, but also making suggestions.



ON 22th and 23rd May the “International Conference on Governance of Extractive Economy” took place in the Mozambican capital, with central theme on “Natural Resources: Blessing or Curse”.

The CPI, Center for Public Integrity, criticized, for example, the secrecy in contracts between multinationals and the Mozambican government.

According to Adriano Nuvunga, director of the organization, the State misses half of what is known in revenues of natural gas production from South African petrochemical Sasol: “The disproportion is so great that these companies are not only prepared to benefit via overly generous contracts, but also, and above all, through any payment avoidance schemes”.

In Africa, multinationals exploit resourc-

es for over 10 years but the continent remains poor and dependent on foreign aid. According to IBIS a Danish NGO, “the situation is inexplicable”.

Anne Hoff, from IBIS, supports her argument: “In some African countries, the existence and operation of these big companies has not been translated into economic growth that turns into human development, even though they are being exploited for decades.”

Given this example, the Danish organization collaborator makes a suggestion to Armando Guebuza government: “Hence it is justified that Mozambique urgently focuses on learning from what happened or is happening elsewhere.”

On the other hand, the ambassador of Sweden in Mozambique, Ulla Andrén, said

the most important curse-avoidance measure is to setup a clear legal framework.

Ulla Andrén warns yet for a long-term view: “It is essential that there is good governance so that people can benefit from achieving the desired social, economic and environmental sustainable development. Today and Tomorrow.”

On more example comes from the advocacy organization Human Rights Human Rights Watch (HRW), that just published a report on the subject, in which it recommends the Government of Mozambique to work with Vale and Rio Tinto corporations so that the population may be attributed fertile lands.

“What is a house without food?” is the title of the HRW report which also denounces that communities are experiencing periods of food uncertainty or are directly dependent on the Vale and Rio Tinto, two companies with the largest mining concessions in Moatize district.

This problem is affecting 1,429 residents in Tete, a province with estimated 23 billion tons of coal extraction, according to government information disclosed in 2012.

The researcher of that international organization, Nisha Varia, said she found that the locals did not depend on anyone for their survival: “It was a self-sustaining community. They also lived in other occupations such as gold mining and agriculture. There were close to the markets to trade their products. Now they have to travel 40 kilometres to find markets in Moatize”.

The researcher states that the population should have fertile land to continue producing food. As such, the Government must assume these responsibilities in resettlement: “When the Government issued a decree in 2012 to remove the population, it failed to consult local population or any non-governmental organizations.”

Nisha Varia also questions the resettlement process: “There was no transparency and when the population was transferred, immediate life condition improvement should be there.”

However, in a statement, the Brazilian company Vale reacted to the Human Rights Watch criticism stating that it respected “human rights and international standards,” adding also that it would follow the recommendations of the organization, although some of the complaints were already being addressed at the time the report was unveiled.

PEOPLE, ENVIRONMENT & LEGISLATION

Waste generated by petrochemical is harmful to the environment



No residual treatment process is infallible. Petrochemical processes consist in obtaining chemical derived from fossil fuels. During these processes, however, the industry sector produces huge amounts of waste on an industrial scale, such as liquid effluents, gaseous emissions and solid waste, many of which cause significant impacts to health and the environment.

GASEOUS emissions are mainly caused by leakage from gas pumps, valves, storage tanks and loading and unloading operations. In most cases, the tailings are toxic or carcinogenic, such as carbon monoxide, oxides of nitrogen and sulphur. Usually there is also the emission of vola-

tile organic compounds, such as acetaldehyde, acetone, benzene, toluene, trichloroethylene, xylene, and trichlorotoluene, toxic in minute quantities.

Solid waste and sludge from petrochemical processes are also dangerous because of the presence of organic

compounds and toxic metals. This type of waste is generally treated by burning; it is considered an effective technology for treatment of organic waste complexes, which releases, however, huge quantities of gaseous emissions falling into the problems mentioned above. In some cases, solid waste may also need pre-treatment for metal removal, for example, before they can be brought into landfills, which can generate more waste from processing steps.

The effluents of these processes include petrochemicals wastewater containing the main raw material or by-products produced during the reactions, and dry spills from reactor or cooling towers, steam condensation and general washing. The treatment of wastewater of the petrochemical industry often requires a combination of different processes such as decantation, centrifugation or flotation to remove oil and other contaminants before disposal to the environment. In the case of removal of metals, usually a combination of oxidation/reduction, precipitation and filtration is used, and in the removal of organic compounds a combination of air stripping or steam activated carbon absorption, degradation by oxidation, and other techniques.

Often the final effluents are simply dumped into water pools, and subject to various types of treatment, none of them fool proof. One can check the results of this kind of dump in increasing degradation of the aquatic environment, where there are negative effects on local biosphere, increased mortality, increased incidence and frequency of tumours and other problems.

In the case of Mozambique, we must reassess our own concepts (if existing) of effluents treatment resulting from this type of process, or, preferably, to focus on other more cleaner and sustainable energy, which do not impact so negatively the environment. ■

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OIL & GAS INDUSTRY JOBS

Health offshore: How to maintain employees' welfare on board



The offshore sector is totally different from all workplaces in the cities. Because of their uninterrupted activities and extreme operating conditions that present technical, collective and environmental risks; vessels at sea, according to the chemistry and researcher Rachel Davis, can be quite dangerous. Moreover, the distance and isolation also stir the psych of those working in a platform or vessel.

“THE PROFESSIONAL on board must be able to stay away from friends and family for long periods of time and, in some cases, without access to telephone connections or computers, which is obviously very difficult for those who depart from close family members and

loved ones” says Rachel.

However, vessels not only represent intense days working from home. For the well-being of their employees, companies in the sector implement procedures to promote physical and psychological health of its employees.

Currently, most modern marine units have comfortable facilities, places for physical activities and recreation. To promote a healthy and nutritious food to the crew members, there are menus based on functional foods that aid in digestion and rapid absorption of nutrients.

The oil and gas companies still hire service providers in hospitality maritime performing unit maintenance, inspecting the cleaning and sanitizing the cabins. According to nutritionist Isabel Portugal, who worked for ten years at Chevron and Petrobras platforms, all hotel service is in the hands of a qualified professional.

José Renato, general physician, who acted as a doctor boarded in Sedco Express platforms for eight years, explains that physical activities such as swimming, games like ping pong, geek, music, DVD and cable television, are forms of entertainment and help social interaction and relieve homesickness that always occurs in the period of isolation. “The presence of a small gym, pool and rooms for physical activities are essential and help maintain the physical form leaving the body and mind in balance,” he explains.

José Renato also says that the best option for fear of isolation at sea is dialogue. “The crew must see the doctor as a friend and confidant, because with the experience of the clinician is psychologically it's easier to help when troubles arise. Getting on board while letting your mind soar elsewhere is a negative and potential dangerous factor,” he concludes. ■

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Mozambique gas is not only for export



Mozambique government bets on natural gas to develop the country. As exports increase and Mozambicans are encouraged to opt for gas cars, the lack of timely cooking gas appears as a contradiction in this new development scenario.

ACCORDING to a study published this year by the British University of Oxford, the difficulties are normal for a country where the exploitation of oil reserves is beginning, and where, as a rule, most of the production is exported to the neighbouring South Africa. As a reminder, in 2011, the gas supply for domestic consumption failed completely in Maputo, Matola and Beira due to the dependence on imported refined gas from South Africa, which suffered technical problems at that very same time.

Since then the country registered new faults in supplies, for example, in the spring of 2012. The internal distribution is also poor, according to the study, entitled "Gas in East Africa – Export Potential". But in November last year, the Mozambican government announced an investment

equivalent to 65 million U.S. dollars in the liquefied petroleum gas pipeline in the capital, Maputo, to increase the capacity to receive cooking gas and facilitate distribution for the rest of the country.

In any case, experts agree: "Mozambique has sufficient gas reserves to ensure domestic supply and export." Nevertheless, the most optimistic projections indicate 2015 as the year in which Mozambique may start producing 100 million tons per year, beginning the effective exploitation of the reserves with an estimated value of 350 billion euros.

A first small step in encouraging increased household usage has been given by conversion of vehicles from fuel to gas. The number of drivers who prefer to use natural gas in their cars is growing in Mozambique. Noth-

ing more normal at a time when the country is becoming a major producer of this natural resource - considered strategic to cope with the volatility of fuel prices in the international market.

The Autogas, company, in partnership with the Government, is responsible for this conversion, and strives to raise the awareness of drivers to resort to natural gas. According to figures released by the company, these efforts are being successful, as the fleet of gas-powered vehicles tend to rise in the country.

Behind the campaign is the idea of the government to cope with the high costs of liquid fuels such as gasoline and diesel, which have to be imported. At the time fuel price keeps

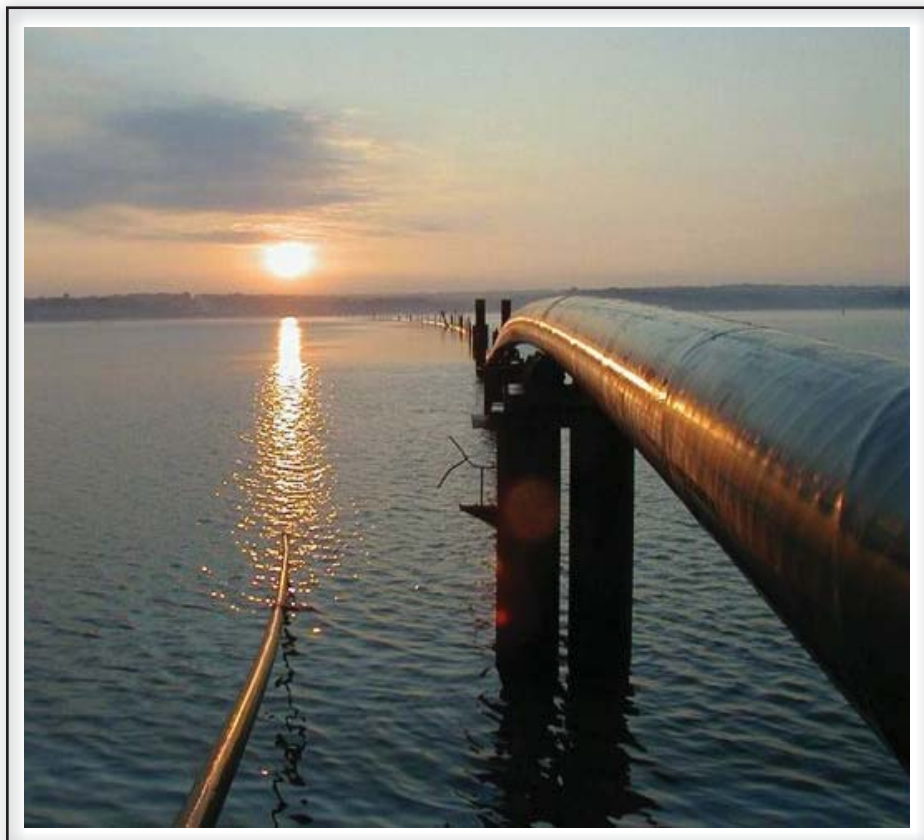
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increasing - a litter of gasoline costs the equivalent to 1.2 euros, while the same amount of natural gas costs 0.35 euros.

Emissions of greenhouse gases into the atmosphere from burning fossil fuels reduce with the use of natural gas in the country. The Mozambican government also wants to use its share of Pande/Temane natural gas reserves in the southern province of Inhambane. João das Neves, from Autogas says that everyone should use this fuel, "What we can guarantee is that replacing conventional fuel with gas can in fact reduce the total costs of operating in excess of 30%". According to him, it is a value that outweighs the cost of car conversion: "And that is what should be encouraged."

Currently there are approximately 1 thousand gas-powered vehicles, of which 150 belong to the company of public transport in Maputo. The rest belongs to private and public institutions as well as individuals. The Autogas estimates that the number of gas-powered vehicles will reach 800,000 by 2020.

"We think it is time for those companies importing cars begin to also play their role by importing vehicles on gas, so that they may be available in sales stands," said Neves.

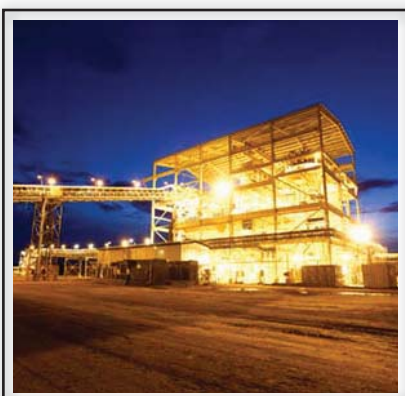


Nevertheless many motorists are still hesitant to buy or convert their vehicles to run on gas because they think they will not have enough assistance or supply stations. The Autogas reassures that more gas supplies and conversion stations are being built, and promises further assistance: "We are doing this work gradually. There will

be no supply stations increase without consumers. But we have been trying to keep up with the level of growth of consumers with more supply stations in order to increase supply easiness".

(DW) ■

Militants Threatening Small-Scale Insurgency



The militant RENAMO have the capability to launch small-scale attacks in the Gubuza's country key energy infrastructure, which will bode ill for the country's significant progress and recent major gas discoveries.

HOWEVER, at this time we do not believe the group has the capability launch a full-scale insurgency. RENAMO's most likely targets in the immediate future will be coal mining firms. ■



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OIL & GAS INDUSTRY NEWS

ENH - Empresa Nacional de Hidrocarbonetos will be converted into an oil operator

The Empresa Nacional de Hidrocarbonetos (ENH) of Mozambique will be converted into an oil operator within 30 years, an-

nounced Nelson Ocuane, the company's chief executive, quoted by State press Notícias, in Maputo.



NELSON Ocuane, the company chief executive of the State shareholdings in hydrocarbon exploration projects in the country, said the ENH wants to cherish the interests it holds in 11 research projects and exploitation of hydrocarbons in progress and that is to lay the foundation for its transformation into an oil operator, which should occur within 25-30 years.

The official said, related to the Rovuma basin, research projects led by Anadarko Petroleum Corporation (area 1) and ENI (area 4) are the ones that are more developed, and in each, ENH holds a share of 15%.

"In the production area, we are involved in the project of Pande/Temane operated by Sasol and this project, ENH, through the Mozambican Hydrocarbon Company participates with 25%," Ocuane said.

Equal share (25%) the company holds in the pipeline that connects the region of Temane, in Inhambane province, to South Africa, a length of 875 kilometres and is operated by Sasol (50%) and the South African government (25%).

Also according to the official, the estimated expenditures for the creation of units of gas liquefaction should be between 14 billion and 20 billion dollars in the coming years, with the financial participation of ENH around 700 million dollars if built two units and a billion dollars if four units are built.

In this interview, the ENH CEO reinforced again the assertion that the company holdings are not for sale. ■

Rio Tinto Sets Sights on Sale of Benga Coal Unit

The Wall Street Journal reported that Rio Tinto plc, the second world largest mining company, is thinking of selling all or part of its Mozambique-based coal unit of Benga and is in the process of choosing a financial advisor to help it do so.

AS QUOTED in the market news, Rio Tinto is seeking to bolster its balance sheet by divesting a range of noncore and poorly performing assets. Currently on the list are its aluminium assets, Canadian iron-ore and coal mine stakes and a copper-gold mine in Australia, among others. "If a

minority-stake option is chosen, the buyer would share the project's large capital-expenditure burden," one of the people said. "If the entire coal unit is sold, it could fetch more than \$700 million," another person said. ■



IN FOCUS

Suspension of coal exports may have serious consequences on national economy

The Anglo-Australian mining company Rio Tinto has suspended exports of coal from Mozambique. The suspension could have a negative impact not only for the mining giant, but also for the Mozambican economy.



THE SUSPENSION of coal exports from Mozambique by the mining company Rio Tinto came after threats made by former guerrillas against the Sena railway line, which coal transport depends on. The Sena line connects the town of Moatize, in Tete province - where there are large reserves of coal and where Rio Tinto, among other giants miners, operates; and the port city of Beira, from where it is exported coal from Tete.

Recently, one of Rio Tinto trains derailed on the border with Malawi, with no certainty yet on the causes of the incident. The governor of the province of Tete, Ratxide Gogo, said only that an investigation was ongoing.

For the company, the decision of suspension of exports, announced also by the governor of Tete, will certainly bring losses, says Paula Carvalho, chief economist of the Portuguese Investment Bank, BPI, specialized in Mozambique, "since the mining company's investment was done taking into account certain production forecast and flow of production to the foreign market.

According to Paula Carvalho, currently an increasing share of economic activity in Mozambique is having origins in the extractive industry sector. "In 2012, the mining industry, especially the increase in coal production contributed about 0.8%

to Mozambique economic growth".

At the base of all international organizations forecast which, according to the analyst, "anticipate the growth of the Mozambican economy by over 8% per year, it is the expected increase on production capacity in the mining sector and consequent exports". Hence, the consequences may be, in fact, negative and may involve "possibly a slowdown in the channelling of foreign direct investment to the country."

Paula Carvalho says that foreign direct investment to Mozambique doubled in 2012, having been channelled mainly for these megaprojects investment, such as coal mining, whose aim is targeted for export. This means that foreign direct investment may suffer severe cuts if the political tense situation remains. After all, political stability is a fundamental condition for investment attraction.

Moreover, the tense situation could also be reflected in the channelling of development aid, from which Mozambique is also dependent. This is because foreign direct investment, megaprojects and development aid, precisely, are key factors for Mozambique economy.

Now, one of the worst scenarios for the Mozambican economy would be the closure of all connections in the centre, both the road and the railway, ie, the Beira Corridor, the National Highway 1 and the Sena line, since the vast majority of natural resources are found in the region further north.

Renamo (the ex-guerrilla movement) requires, among others, a better representation in the armed forces and more importantly a share of revenues from gas and coal; however not even in the seventh round of negotiations with the government the two parties reached a consensus in order to curb the political and military crisis. ■





The Benefits of the Extractive Industry Transparency Initiative for implementing Countries

Countries rich in natural resources such as oil, gas, and mining have tended to under-perform economically, have a higher incidence of conflict, and suffer from poor governance. These effects are not inevitable and it is hoped that by encouraging greater transparency in countries rich in these resources, some of the potential negative impacts can be mitigated.

BENEFITS FOR IMPLEMENTING COUNTRIES:

IT INCLUDES an improved investment climate by providing a clear signal to investors and international financial institutions that the government is committed to greater transparency. EITI also assists in strengthening accountability and good governance, as well as promoting greater economic and political stability. This, in turn, can contribute to the prevention of conflict based around the oil, mining and gas sectors.

BENEFITS TO COMPANIES AND INVESTORS

It focuses on mitigating political and reputational risks. Political instability

caused by opaque governance is a clear threat to investments. In extractive industries, where investments are capital intensive and dependent on long-term stability to generate returns, reducing such instability is beneficial for business. Transparency of payments made to a government can also help to demonstrate the contribution that their investment makes to a country.

BENEFITS TO CIVIL SOCIETY

In this stage the initiative come from increasing the amount of information in the public domain about those revenues that governments manage on behalf of citizens, thereby making governments more accountable. ■

COAL & PRODUCTION

Moatize Mine: Vale Mozambique beats record for coal extraction in the country



The Vale Moçambique mining company set a new record in June by extracting 509,000 tons of coal and a new mineral out-flow maximum by transporting 300,000 tons of coal on the Sena railway line, Altiberto Brandão, Vale Mozambique Coal Operations Director, said.

ACCORDING to Altiberto Brandão, the company had been producing at maximum capacity since April 2012 and that in June it beat the production record at the Moatize mine in Tete province with 509,000 tons.

Brandão made his comments at a coal conference that opened on Monday in Maputo. Vale Moçambique plans to export 3 million tons this year, versus last year's figure of 2.6 million tons, he added.

The Brazilian group has invested nearly US\$1.9 billion in operations at Moatize in Tete and plans to invest a further US\$6.4 billion to expand production at the mine and on logistics projects, specifically construction of a railway line linking Moatize to the port of Nacala via Malaw.(M) ■

COAL EXPLORATION & INVESTMENT NEWS

Group Coal India agrees to implement US\$42 million in social spending in Mozambique



The miner group Coal India Ltd (CIL) has packed off USD42 million for social spending in Mozambique in order to overcome some obstacles that are apparently preventing the commercial exploitation of coal, said a senior board of the group.

QUOTED by the Indian press, the senior board member said that the social plan of spending, which includes the construction of two vocational institutes, has been submit-

ted to the Ministry of Foreign Affairs of India, given that social spending will be analyzed in bilateral meetings between the governments of the two countries.

The CIL group, which obtained two coal blocks in Tete province, center of Mozambique, in 2009, awarded the contract for the operation of 205 square kilometres with estimated reserves of one billion tons of thermal and metallurgical coal at the end of the last year to Tribeni Minerals Mozambique.

According to the board of the group, the government of Mozambique made a formal protest during bilateral talks concerning late development of the two blocks and the fact that the commitments of social spending are not following the agreed timetable.

The group argued that social spending could not be a prerequisite for the development of the blocks since its purpose was purely commercial, prompting the administration of CIL considering giving up the two coal blocks.

However, the senior board added that the project remained standing due to the intervention of the Indian government considered that the abandonment by the state group CIL would give a wrong impression about the overall interests of India in this region of Africa. ■

Biweekly Quote

*“There is no a path to Peace
The peace is the path.”*

Mahatma Ghandi

AFRICAN COUNTRIES CURSED BY NATURAL RESOURCES

NIGERIA

NIGERIA'S economy is based on oil, but due to poor macroeconomic management, it is passing through a substantial reform implemented by new civilian leaderships of the country. Previous military rulers of the country failed to diversify the economy and move it away from overdependence on an intensive capital oil sector, which is responsible for 20% of GDP, 95% of export earnings and about 65% of budget revenues. Mineral resources include oil, coal and tin. ■



DEMOCRATIC REPUBLIC OF CONGO

DRC'S ECONOMY depends heavily on mining, has some of the world's best deposits of copper and cobalt, diamonds, gold, iron and uranium. However, economic activity occurs mainly in the informal sector and is not reflected in GDP. The DRC is a nation that has vast potential of wealth that has declined dramatically since the mid-1980s. The two recent conflicts, which began in 1998, have dramatically reduced national output and government revenue, and increased external debt. After years of wars, dictatorships and turmoil, or the country's infrastructures are in ruins or are nonexistent, and extraction operations generate only a fraction of its potential. ■

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e impresso através da revista trimestral **Energia Moçambique**, contando ainda com um programa televisivo com o mesmo nome transmitido na Televisão de Moçambique, às quartas-feiras.

O Newsletter **Energia Moçambique**, veicula os principais acontecimentos passíveis com forte impacto no sector da energia e indústria extractiva tanto a nível nacional, regional e internacional.

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President and CEO of Business Initiative Directions



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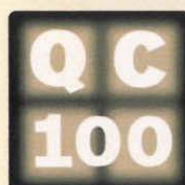
Commitment of Projecto Energia Moçambique Status Consultores de Comunicação, Lda. to Quality

Our company accepts quality as a factor of development to become more competitive.

Projecto Energia Moçambique Status Consultores de Comunicação, Lda. is committed to publicizing this Quality Culture with employees, suppliers, clients and the community, supported by the QC100 Total Quality Management Model, the principles of which are the following:

- 1** Quality is a consequence of valuing customer satisfaction and obtaining positive business results.
- 2** Meet the quality levels established in the company in accordance with the QC100 Points of Quality.
- 3** Encourage participation and teamwork for decision making.
- 4** Satisfy the needs of our clients and meet their expectations.
- 5** Provide human resources, both technical and economic, to achieve continuous improvement and respect for the environment.
- 6** Manage human resources in our company to achieve the maximum potential.
- 7** Make employees aware of the importance of concentration on the most profitable areas of activity, to achieve the best business results.

The achievement of these seven principles by Projecto Energia Moçambique Status Consultores de Comunicação, Lda. will foster improvement for clients, employees, suppliers and all of the other persons who make up the company.



New York, May 28, 2012

General Manager
Projecto Energia Moçambique Status
Consultores de Comunicação, Lda.

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e orgulho,
produzimos
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