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FISCAL JUSTICE OR WAR OF ATTRITION? THE CASE OF GALP IN MOZAMBIQUE

- Analysis of the dispute over 162 million euros in capital gains and the risk of a devastating precedent for the extractive sector

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1. EXECUTIVE SUMMARY

The sale of Galp's 10 per cent share in Area 4 of the Rovuma Basin to the company XRG P.J.S.C. (an operational vehicle of the state oil company of the United Arab Emirates, ADNOC), concluded in March 2025, has unleashed a fiscal dispute which tests the economic sovereignty of Mozambique and the responsibility of one of the largest foreign investors in the country. The Tax Authority (AT) notified the oil company for the payment of capital gains tax to the value of 162 million euros, equivalent to 12 billion meticaís. Galp itself confirmed that that it had been notified of this sum in its official report to shareholders. This sum results from the application of an effective rate of 17.6%, envisaged in the Mozambican petroleum fiscal regime, to capital gains estimated by the AT at about 920 million euros.

In sharp contrast, Galp challenges the liquidation, alleging taxable capital gains of only 26 million euros, a figure 35 times less than that calculated by the AT. This position is even more questionable when, in the same period, the company reported to its shareholders an accounting gain of 147 million euros from the same transaction, showing a flagrant inconsistency between what it declares for tax purposes, and the information given to its investors.

Galp's decision to resort to international arbitration at ICSID World Bank, based predictably on a stabilisation clause in the 2007 Concession Contract, represents a tactic known as "war of attrition". This strategy seeks to exploit the deep imbalance in financial power between the company and the Mozambican state, forcing the country to accept an unfavourable agreement in order to avoid exorbitant legal costs, estimated conservatively at between six and eight million dollars. These costs are between 3.4% and 4.6% of the total value of the tax owing.

This report analyses the architecture of the transaction, the robustness of the Mozambican legal base, and Galp's likely litigation strategy. It concludes that Mozambique's position is legally solid and aligned with the best international practices of fighting against tax erosion, that is, the reduction of the tax base through abusive schemes of tax avoidance. However, the country's capacity to enforce its sovereign rights requires a firm response from the State, attentive scrutiny from civil society, and responsible behaviour by international partners, including the Portuguese State, which is the dominant shareholder in Galp.

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INTRODUCTION

The extractive sector in Mozambique, particularly the natural gas of the Rovuma basin, provides an historical opportunity for the socioeconomic development of the country. However, realising this potential depends critically on the capacity of the State to guarantee fair and transparent taxation of the profits generated. This is the context for the fiscal dispute between the Mozambican Tax Authority (AT) and the oil company Galp, arising from the sale of a holding in Area 4 of the Rovuma Basin, which is becoming a case study of national and international importance.

The dispute, centred on a dispute over capital gains of 162 million euros, transcends its monetary value. It is a decisive test of the fiscal sovereignty of Mozambique, the robustness of its legislation against tax abuses, and the corporate social responsibility of the multinational companies operating in the country. The decision by Galp to challenge the settlement and resort to international arbitration puts into confrontation the legitimate right of a state to tax the resources in its subsoil, and the strategy of a company to minimize its tax burden by resorting to complex company structures and to mechanisms of international litigation.

This report seeks to dissect the multiple facets of this dispute. It analyses the architecture of the transaction, the solidity of the Mozambican legal basis, the accounting discrepancy at the centre of the conflict, and the strategy of “war of attrition” that the arbitration represents. The purpose is to provide political decision makers, civil society, journalists and international partners with a clear and well-grounded analysis which makes it possible to understand, not only what is at stake in this specific case, but also the devastating precedent that an unfavourable outcome could create for the future of taxation in the extractive sector in Mozambique and in Africa.

Methodology

The present analysis was drawn up based on a methodology of qualitative research and a case study, resting on publicly available and verifiable primary and secondary sources. The documentary research included the financial reports and official statements of Galp Energia, the fiscal and contractual legislation of Mozambique, statistical data and ICSID cases, reports of international organisations such as the United Nations and the OECD, and an analysis of research centres specialised in taxation and governance (such as CCSI, BIICL and ICTD). The inferences and conclusions presented result from cross-referencing and critical analysis of these sources, with the aim of guaranteeing the maximum rigour, objectivity and relevance for public debate.

2. ANALYSIS

2.1 Architecture of the Transaction

The central mechanism of the dispute lies in how the transaction was structured. Galp did not sell directly its exploration licence in Mozambique. Instead, it sold the shares in Galp Energia Rovuma B.V., a wholly owned subsidiary based in the Netherlands (Holland), to the buyer XRG P.J.S.C., an operational vehicle owned by ADNOC, the state oil company of the United Arab Emirates.

This technique, known as the indirect transfer of assets, is a common method of aggressive fiscal planning. Its objective is to transfer the legal location of the transaction to a foreign jurisdiction, in an attempt to remove it from the fiscal authority of the country where the physical asset and its economic value are located. Its purpose seems to have been to achieve the payment of no taxes twice - that is, not to pay taxes in Mozambique, by invoking extra-territoriality, and not to pay taxes in Holland, under favourable internal fiscal regimes, such as that of *participation exemption*.

Box 1: What is an indirect transfer of assets and why could it be a problem?

An indirect sale occurs when, instead of selling the physical asset—such as an exploitation license in a given country—the company sells the shares of the subsidiary that owns that asset. Frequently, this subsidiary is a vehicle company or shell company based in a tax haven or in a jurisdiction with favourable tax treaties, such as the Netherlands (United Nations, 2017).

Its purpose is twofold:

1. To avoid capital gains tax in the country where the asset is located. The company claims that the transaction occurred in another jurisdiction—for example, the Netherlands, not Mozambique—thus attempting to bypass the authority of the local tax administration (OECD/G20, 2015–2021).

2. To avoid tax in the intermediary jurisdiction. The company benefits from favourable tax regimes, such as the participation exemption in the Netherlands, which exempts from tax the gains derived from the sale of shares in subsidiaries (Hearson, 2018).

The result is double non-taxation. The capital gain, generated from a Mozambican natural resource, is not taxed in any of the countries involved. This practice is considered a form of aggressive tax planning and is challenged by organisations such as the OECD and the UN, which recommend that countries where the assets are located—in this case, Mozambique—assert their right to tax such gains.

2.2 The Battle of Numbers: a Discrepancy of 808 Million Euros

The core of the dispute lies in the completely different assessment of the capital gains generated. Mozambican legislation, in line with international fiscal principles, defines capital gains as the difference between the sales value of an asset and its cost of acquisition, as stipulated in Article 37, paragraph 2, of the Code on Taxes on Collective Persons (IRPC)¹.

In this case, both Mozambique and Galp start from a value for realising the sale price which rises to a potential total of 1.29 billion euros². Hence the divergence is not in the price, but in the definition of the acquisition value, the technical term for the basic cost of the asset. This basic cost represents the amount of investment that Galp can legally deduct to calculate its taxable profit.

The position of the AT, inferred from the official notification, points to a recognised basic cost of 456 million euros, resulting in taxable capital gains of 834 million euros. In contrast, the position of Galp, based on its challenge, points to a basic cost of 1.264 billion euros, which leads to a capital gain of only 26 million euros³.

Thus, the central question is what expenditure can legitimately be included in the basic cost. Mozambican law sets a clear guiding principle. Costs are only accepted if it can be proven that they were indispensable for achieving the outcomes or gains subject to the tax (Article 22 of the IRPC Code). For the petroleum sector, the Specific Taxation Regime (Law no. 27/2014) goes further, giving details in Article 22 of a list of costs which specifically may not be deducted, such as commissions paid to intermediaries, signature bonuses or arbitration costs. The table below illustrates the scale of the divergence:

Table 1: Divergences in the determination of Capital Gains and of the Tax due on the sale of Galp assets in Mozambique

Item	Position of the Mozambique Tax Authority:	Declared Position of Galp	Difference between AT and GALP
Sale Value (VV)	1.29 billion euros	1.29 billion euros	0
Recognised Basic Cost (CB)	456 million euros	1.264 billion euros	-808 million euros
Taxable Capital Gains (MV = VV – CB)	834 million euros	26 million euros	808 million euros
Tax demanded (IE = $MV * 55% * 32% = MV * 17.6%$ ⁴)	146.7 million euros	4.6 million euros	142.1 million euros

Source: Drawn up by the author, based on Lusa 2025, Galp 2025a and applicable legislation.

¹ Law no 34/2007, of 31 December IRPC Code. Article 37, paragraph 2. states that the capital gain is “the difference between the value realised and the value of the acquisition”

² Galp. 2025a, 21 July. Interim Management Report and Accounts First Half 2025. Galp Energia, SGPS, S.A.

³ Lusa 2025, 10 June. Moçambique exige 266 milhões à Galp em imposto sobre maisvalias. Diário de Notícias. Available at: <https://www.dn.pt/exclusivos/mo%C3%A7ambiqueexige266milh%C3%B5es%C3%A0galpemimpostosobremaisvalias>. Consulted on 22/07/2025

⁴ See Box 2

The difference is enormous – about 808 million euros in costs which Galp claims it spent, and which the AT does not recognise. The company will have to prove in court that its deductible investments were almost three times greater than the amount which the AT is prepared to accept. This discrepancy suggests an aggressive fiscal interpretation by the company, possibly inflating artificially the deductible costs in order to reduce the taxable amount and consequently the tax that should be paid.

Box 2: How is the capital gains tax on petroleum products calculated in Mozambique?

The 17.6% rate applied by the Mozambican Tax Authority (AT) is not arbitrary. It is the result of the rigorous application of tax legislation, which balances taxation with long-term investment incentives. The calculation follows three steps:

Step 1: Define the Tax Base – the Taxable Amount

The first question is: what amount is the tax applied to? Mozambican law establishes a progressive tax benefit for long-term investments. In the case of Galp, which had held its stake since 2007, the most favorable rule applies.

- **The Law:** The Personal Income Tax Code (Código do IRPS), Law No. 20/2013 of 23 September, applicable to this case by reference from other norms, establishes in Article 40 that the percentage of the capital gain subject to tax depends on the holding period of the asset. For holdings exceeding 60 months, only 55% of the capital gain is taxable.

- **In Practice:** Instead of taxing 100% of the profit, the Mozambican state opts to tax just over half, recognizing and rewarding the long-term nature of the investment.

Step 2: Apply the Sector-Specific Tax Rate

Once the taxable amount is defined - 55% of the capital gain - the specific tax rate for the petroleum sector is applied.

- **The Law:** The Special Tax Regime for Petroleum Operations (Regime Específico de Tributação das Operações Petrolíferas), Law No. 27/2014 of 23 September, in Article 29, establishes that capital gains from the transfer of petroleum rights by non-residents are taxed at a rate of 32%.

- **In Practice:** This 32% rate is not applied to the entire capital gain, but only to the reduced base of 55% determined in Step 1.

Step 3: Calculate the Effective Tax Rate

The effective tax rate is the final tax paid by the company as a percentage of the total capital gain. It results from the mathematical combination of the two previous steps.

- **The Calculation:** Taxable Base (55%) × Tax Rate (32%) = Effective Rate of 17.6%

Far from being a maximum tax burden, this value already reflects a significant tax benefit, resulting from a direct and mathematical application of the law in force.

Note:

Step 1: Tax legislation establishes that the taxation of capital gains earned by non-residents follows the rules of the Personal Income Tax Code (Law No. 20/2013), as stipulated by the Corporate Income Tax Code (Law No. 19/2013, Art. 45), with the specific rate defined by the Petroleum Operations Tax Regime (Law No. 27/2014, Art. 29).

2.3 The Legal Battlefield. Mozambican Law vs. Contractual Stabilisation

The position of Mozambique is solidly anchored in a consistent fiscal policy, begun in response to the case of Cove Energy in 2012. In that case, the Mozambican State managed to tax a similar indirect transaction, creating a robust political and administrative precedent. The legislation was subsequently strengthened to eliminate any ambiguities.

Mozambique's Legal Basis

In the absence of an Agreement on Dual Taxation (ADT) with the Netherlands, Mozambican law is the only applicable norm. The IRPC Code, updated by Law No. 19/2013 of 23 September, in its Article 5, paragraph 5, states that the gains from the indirect sale of assets located in Mozambique are regarded as income of the Mozambican source, regardless of where the transaction occurs. This norm, specifically designed to combat aggressive fiscal planning, is the basis for the AT's position.

Galp's likely argument

Galp's central argument will predictably be invocation of Article 11.9 of the Concession Contract of 2007, which is an economic stabilisation clause. Typically, these clauses seek to protect the investor from adverse legislative changes which modify the economic balance of the project. Galp will argue that the 2013 and 2014 fiscal laws, since they are later than the contract, are not applicable to it. This seeks to freeze the fiscal regime in 2007, a year when the taxation of indirect sales was not explicitly envisaged.

The State's Counter-argument

Mozambique's defence could be based on Article 11.8 of the same Contract, which safeguards application of general and non-discriminatory legislation. The State will argue that the laws in question are not mere fiscal alterations, but are norms against the abuse of public order, intended to protect the country's tax base against tax avoidance. In this case, norms of this nature, which reflect general principles of international law and combat abusive practices, are not, as a rule, subject to stabilisation, since they seek to guarantee the integrity and justice of the fiscal system.

The dispute between Galp and the Mozambican State illustrates an emblematic clash between the private invocation of stabilisation clauses and the legitimate exercise of fiscal sovereignty. Mozambique sustains its position based on clear, coherent and non-discriminatory legislation, designed to combat abuses and to protect its tax base. But Galp is trying to halt this normative evolution, taking refuge in a contract prior to the consolidation of these rules. This clash, although it is of a legal nature, reveals a deeper impasse – the effort of a State to affirm fiscal justice in the face of contractual mechanisms which frequently favour private interests. In this context, international arbitration arises, not as a simple procedural outcome, but as a new battlefield where the law is increasingly used as an economic weapon.

2.4 Arbitration as a Weapon. The Cost of Defending Fiscal Sovereignty

Galp's decision to advance to international arbitration, predictably under the ICSID mechanism, should be interpreted not merely as a legal challenge, but as part of a deliberate business strategy to put pressure on the State. This Choice worsens the imbalance of power between a financially robust multinational and a developing State, transferring the dispute onto a terrain where the cost of defending the public interest becomes in itself a dissuading factor. Studies on fiscal litigation in the extractive sector show that, under these scenarios, the companies do not necessarily seek to win. Often the objective is to wear out the opposition, force concessions and impose an unequal negotiation. In this battlefield, the legal procedure ceases to be an instrument of justice and becomes a weapon of economic dissuasion.

Box 3: Context: what is ICSID, and what are the criticisms

The ICSID (International Centre for Settlement of Investment Disputes), affiliated with the World Bank, is the main international arbitration forum for disputes between foreign investors and states. In the case of Galp, arbitration was initiated based on the 2007 Area 4 Concession Contract, allowing the company to bypass Mozambican courts and resort to an international tribunal composed of appointed arbitrators.

Although it presents itself as a neutral and technical mechanism, the ICSID has been heavily criticized by academics, legal experts, and civil society organizations. Among the key concerns are the opacity of the proceedings, the high cost to states, the elitist composition of arbitration panels, and a systematic bias favoring investors to the detriment of the sovereign right of states to legislate in the public interest.

Studies such as Gus van Harten (2008) argue that investment arbitration poses a direct challenge to constitutional and democratic policymaking. The UNCTAD (2024, 2006) warns that the most frequently sued states are often developing countries, particularly in the extractive sector. Tienhaara (2018) further shows how the threat of litigation can deter governments from pursuing socially or environmentally beneficial policies - a phenomenon known as regulatory chill.

In Latin America, Bolivia, Ecuador, and Venezuela have withdrawn from ICSID, denouncing violations of their sovereignty and systemic bias. According to López and Tinel (2017), these countries viewed arbitral tribunals as undermining their ability to define sovereign public policies. An analysis by the Bretton Woods Project (2013) found that ICSID is widely perceived by organizations across Latin America as a legal instrument of corporate power.

Given this history of controversial rulings, there is no guarantee that ICSID will act with impartiality in the proceedings that Galp may initiate against Mozambique—especially considering the case involves deep implications for fiscal justice and state sovereignty.

This type of dispute is often described as a war of attrition, in which the procedural costs become a dissuasive weapon against the defence of sovereign rights. Cases such as Tethyan Copper Company vs. Pakistan involved extraordinary costs. Just in fees for lawyers and experts, Pakistan spent 25.5 million dollars. It was also ordered to pay the company's legal costs of 59.5 million dollars and a further 3.7 million dollars in arbitration fees. According to the ICSID statistics of 2023, the average defence costs for a State in complex litigation involving the extractive sector can reach 6.4 million dollars, above the global average, which is around 5.6 million dollars. We are conservatively taking between 6 and 8 million dollars as a reference point.

Box 4: The Accounts of the War of Attrition: a careful analysis of the costs of arbitration

The estimated costs that Mozambique faces in mounting its defense are based on empirical data from previous arbitration cases.

1. Evidence. Reports from institutions such as the British Institute of International and Comparative Law (BIICL) and data analyses from ICSID indicate that the average cost of legal defense for a state in an arbitration case is USD 6.4 million. In extractive sector cases involving amounts in dispute similar to Galp's, such as Burlington vs. Ecuador, legal defense costs of USD 15 million represented around 3% of the USD 494 million at stake. In our case, that would translate to approximately USD 5.25 million out of the USD 175 million in dispute (the equivalent of EUR 162 million).

Cases such as Tethyan Copper vs. Pakistan and Occidental vs. Ecuador involved disputes worth billions. While the absolute costs of defense were extremely high—USD 25.5 million and USD 12 million respectively—they amounted to a very small percentage of the total value, just 0.43% and 0.35% respectively. This is because legal costs, which involve thousands of hours of expert lawyers, do not scale proportionally with the value of the dispute. A case worth USD 5 billion does not cost 100 times more to litigate than one worth USD 50 million.

In contrast, the Philip Morris vs. Uruguay case, with a lower claim value of about USD 25 million, incurred legal costs of USD 10.3 million, representing a staggering 41% of the amount at stake. These examples reveal a wide variation in the ratio between defense costs and the amount in dispute. Costs can range from less than

1% to over 40%, depending on the complexity of the case, the length of proceedings, the level of technical expertise required, and the procedural behavior of the parties.

2. Conservative Estimate. Taking these empirical benchmarks into account and considering the specific accounting complexity of this particular dispute, we adopt a conservative estimate that Mozambique's defense costs will fall within the range of USD 6 to 8 million.

3. Impact. Even this well-founded and prudent estimate represents a devastating financial burden on Mozambique's public finances.

Note: This is a methodological estimate, not a precise forecast. It is based on observed patterns and publicly available data. Still, even if Mozambique wins the case, the risk of not recovering legal costs -especially considering the "loser pays" rule - means that a figure such as USD 6 to 8 million constitutes a real and dissuasive burden for a resource - constrained state. The approach avoids alarmism but clearly conveys the urgency and severity of the financial impact.

This sum, although marginal for Galp, equivalent to less than 4.5% of amount in dispute (175 million USD), is a perfectly manageable cost for a company with a quarterly EBITDA⁵ of 840 million euros. Although this amount is a fraction of the profit of Galp (less than 1% of its quarterly operational profit), it is a devastating burden for Mozambique. This cost of a dispute where there is no guarantee of success is equivalent, by way of example, to 1% of the health budget for 2025, which is enough to build at least 2 or 3 rural hospitals in provinces such as Niassa, Zambézia or Cabo Delgado⁶ or funds which would make it possible to hire more than 3,000 new teachers for primary education⁷. It also represents 42% of the budget of the corporate plan of the Administrative Tribunal for 4 years (2022-2025), the body responsible, among other things, for checking the legality of public expenditure⁸.

The dispute of Mozambique with Galp is part of a global trend in which the outcomes offer crucial lessons. Uganda won a similar dispute against Heritage Oil, establishing a successful precedent⁹. In contrast, Pakistan was ordered to pay 5.9 billion dollars to Tethyan Copper¹⁰, which is a severe warning of the risks of arbitration. These cases show that, although firmness can lead to victory, international arbitration bears immense risks.

In this scenario, Galp is using the legal process, not as an instrument of justice, but as a negotiating weapon, exploiting the institutional fragility and the costs of litigation of a State with fewer resources. This is a deliberate business strategy, and not a simple technical disagreement about figures.

2.5 A Chronic Weakness of Governance. The Failure in Certifying Costs

The current dispute with Galp about the value of the basic cost is not an isolated case, nor can it be resumed to a technical disagreement. It is a symptom of a structural failing deeply rooted in the model of governance of the extractive sector, the incapacity of the State to certify, in a continual and transparent manner, the costs declared by the companies during the project cycle. In a functioning system, the value of the investment declared when assets are sold should be known, audited and validated, and not a last-minute surprise. The lack of this systematic certification compromises both the collection of capital gains tax and production sharing, opening space for manipulation, tax evasion and the loss of strategic revenues.

The existence of such a profound divergence between the AT and Galp suggests that validation has continued to fail or was never adequately implemented. This failing, already indicated in previous analyses by the Centre

5 EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. This is a financial indicator widely used to measure the operational performance of a company. A high EBITDA, such as that of Galp, indicates strong financial health and a great capacity to generate profit.

6 Estimate based on analysis of the costs of projects to build district hospitals of between 2 and 3 million euros per unit, financed by international cooperation partners in Mozambique and in sub-Saharan Africa. See: <https://www.diarioeconomico.co.mz/2022/10/18/economia/desenvolvimento/cabodelgadobancomundialdisponibiliza75milhoesdemeticaisparaconstrucaodeunidadesanitaria/>

7 Value based on the entry wage level for EP1 primary school teachers in the Single Wage Table (TSU), of approximately 220 euros/month.

8 Tribunal Administrativo 2021. *Plano Corporativo do Tribunal Administrativo PLACOR IV 2022/2025*. Maputo, Moçambique. Available at: https://www.ta.gov.mz//strategic_plan. Consulted on 28/07/2025

9 TRALAC Trade Law Centre. 2013, 8 de Maio. *Uganda government wins Heritage Oil case*. TRALAC. Available at: <https://www.tralac.org/news/article/7079ugandagovernmentwinsheritageoilcase.html>. Consulted on 22/07/2025

10 IISD International Institute for Sustainable Development. 2019, 17 December. *Tribunal finds Pakistan breached FET, expropriation, nonimpairment obligations in mining joint venture with Australian investor: Tethyan Copper Company v. Pakistan ICSID Case No. ARB/12/1*. *Investment Treaty News*. Available at site: <https://www.iisd.org/itn/2019/12/17/tribunal-finds-pakistan-breached-fet-expropriation-non-impairment-obligations-mining-joint-venture-with-australian-investor-tethyan-copper-company-tethyan-copper-company-v-pakistan-icsid-arb-12-1/>. Consulted on 22/07/2025

for Public Integrity (CIP)¹¹ in the context of cost recovery, has two devastating consequences for the State:

1. Erosion of Production Sharing Revenue. Annually, unverified or inflated costs may be reducing the amount of profit petroleum being shared with the State.
2. Erosion of revenue from the capital gains tax. As this case shows, the lack of an audited and agreed register of costs opens the door to companies presenting an inflated basic cost at the moment of sale, seeking to annul or minimise the tax to be paid.

Hence, the case of Galp serves as a powerful warning to the Mozambican State. It exposes the price of the State's weak monitoring capacity. Solving this dispute is crucial, but it is even more important to attack the cause, the root of the problem, by building, once and for all, a transparent and rigorous system of cost certification which prevents disputes on this scale to be repeated in the future, thus protecting the revenue owing to the Mozambican people.

3. CONCLUSION

The dispute between Mozambique and Galp exceeds by far the 162 million euros which was its origin. This is a crucial test of the capacity of a State in the Global South to exercise its fiscal sovereignty in the face of a multinational with privileged access to mechanisms of contractual shielding and knowing the rules of the game of international arbitration for which Mozambique will be forced to enter as a beginner. On the one hand, the Mozambican legal basis is solid, grounded in anti-abuse norms and aligned with good international practices. Galp's attempt to invoke a stabilisation clause to escape from this framework represents a serious distortion of the spirit of these contracts.

On the other hand, Mozambican institutional fragility in the control and certification of costs is also part of the problem. The dispute is not only external. It is also internal, and the response cannot be purely legal or technical. It requires political mobilisation, business responsibility and sustained social pressure.

This is not just a dispute about 162 million euros. It is a test of Mozambique's capacity to resist the logic of fiscal impunity. The response that Mozambique gives and the support it receives will be observed across the continent. In this context, a series of specific recommendations are presented stakeholder by stakeholder:

1. ***Mozambican Government and particularly the Tax Authority:***
 - a) Defend firmly the legal position of the State, based on the anti-abuse norms and on the principle of taxation of the economic substance of the transaction;
 - b) Reject unfavourable agreements motivated by litigious pressure, even at the risk of procedural costs and explore all forms of technical and legal support to strengthen urgently the system of certification and continual auditing of costs in the extractive sector, based on validated accounting records since the start of the investment cycle;
 - c) Publish, in a pro-active manner, the decisions on basic costs accepted and rejected, as a measure of preventive transparency and of fiscal justice; and
 - d) Promote legal reforms that reduce spaces for abusive interpretation, including a systematic revision of stabilisation clauses in future contracts.
2. ***Galp Energia, SGPS, S.A.***
 - a) Review its legal position in the light of the principle of good faith and of the obligations of fiscal responsibility in the countries where it operates;
 - b) Avoid tactics of prolonged legal warfare, which undermine its reputation and expose the company to significant ESG risk;
 - c) Publish, with full transparency, the declared cost basis and the criteria for deductions used, making them available to public and institutional scrutiny; and
 - d) Accept a fair and speedy resolution of the dispute, which reflects the genuine economic value of the transaction and commitment to fiscal integrity.
3. ***Government of Portugal (as a shareholder in Galp – with 7.48%)***
 - a) Demand from Galp responsible fiscal behaviour in Mozambique, in line with the commitments to fiscal justice made by the Portuguese state in international forums;

¹¹ CIP 2025, April 8. *Atrasos nas Auditorias dos Custos do Gás Podem Sangrar os Cofres do Estado*. Mate, R. Available at: <https://www.cipmoz.org/en/2025/04/08/atrasosnasauditoriasdoscustosdogaspodemsangraroscofresdoestado/>. Consulted on 28/07/2025

- b) Make institutional support for Galp conditional on demonstrating taxation practices in line with the public interest, particularly in the PALOP; and
- c) Use its position as dominant shareholder to promote a negotiated and transparent solution, rejecting lawsuits that penalise partner developing countries.

4. *Mozambican Civil Society and Independent Media*

- a) Monitor actively the unfolding of the arbitration, demanding public reports from the AT, the Finance Ministry and MIREME;
- b) Launch public awareness campaigns about the concept of fiscal justice, explaining the direct impact that these resources would have on education, health and basic infrastructures;
- c) Put pressure on the Government to reform the mechanisms of cost control and publish the data of the dispute, as a form of accountability and transparency; and
- d) Build regional and international alliances with other civil society organisations to increase the public and political pressure on Galp and ICSID.

5. *Institutional investors and ESG Funds*

- a) Question Galp publicly about the reputational, financial and legal risks associated with this case, and demand detailed disclosure;
- b) Make future investment conditional on the adoption of transparent and fair fiscal practices, particularly in countries with a high level of institutional vulnerability; and
- c) Revise the ESG score of Galp, if the company insists on prolonged litigation, out of line with its declared social and environmental commitments.

6. *ICSID and World Bank Group*

- a) Review critically the role of ICSID in disputes about public order fiscal norms, particularly when they involve stabilisation clauses;
- b) Introduce greater transparency in procedural costs, fees and decisions, allowing public scrutiny on the use of the mechanism; and
- c) Adopt principles of tax carve-out in arbitration involving anti-abuse norms, in line with proposals for reform under debate at the United Nations and the OECD.

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