



BUSINESS & HUMAN RIGHTS



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BUSINESS AND HUMAN RIGHTS IN CABO DELGADO

Graphite, rights and responsibility: bridging the gap between business and communities

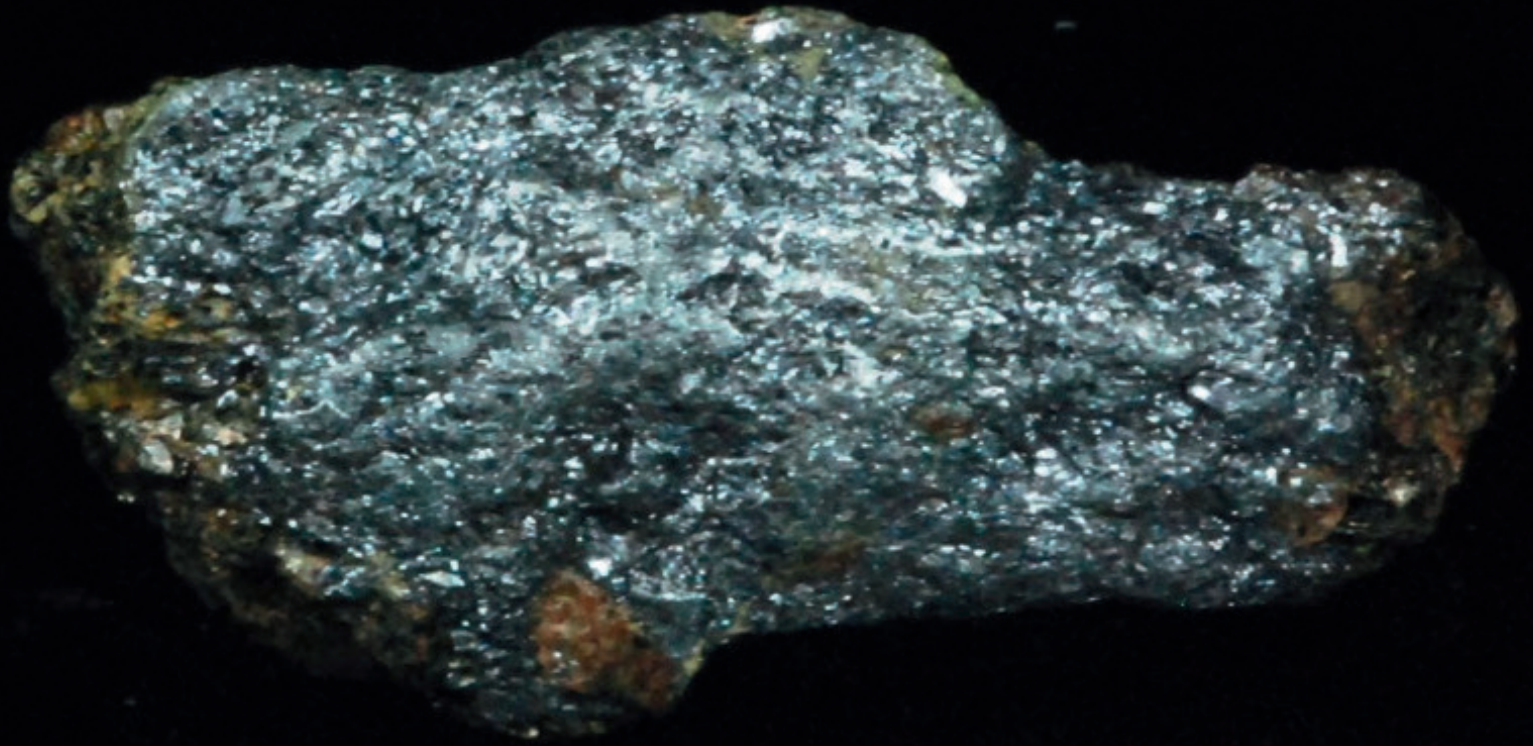


Introduction

Cabo Delgado, in northern Mozambique, holds one of the world's largest graphite reserves, located in the district of Balama. This mineral, essential for producing lithium batteries used in electric vehicles, has attracted the attention of major multinational companies, especially amid the growing global demand for electric cars. Syrah Resources, an Australian

multinational, is one of the key players in the exploitation of this resource, with contracts established with automotive industry giants such as Tesla and Lucid Motors.

Although Balama's graphite plays a strategic role in these companies' production chains, local communities living in the areas affected by mining continue to face precarious living conditions,



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with little substantial benefit from the wealth generated. This reality raises critical questions about the social and economic impact of mineral extraction, particularly in a region already burdened by conflicts and socio-economic challenges.

This paper aims to analyze, through the lens of

the United Nations Guiding Principles on Business and Human Rights (UNGPs), the role of Balama's graphite in the global automotive industry, the international contracts involving major companies, and the implications for local communities, emphasizing the urgent need for more inclusive and sustainable development policies.

International Contracts and the Role of Balama Graphite in the Global Automotive Industry

Balama graphite is a resource of great strategic importance to the global automotive industry, particularly with the rise of electric mobility. The extraction of this graphite has attracted the interest of major international companies, notably the Australian firm Syrah Resources, which, through its subsidiary Twigg Exploration & Mining Lda, extracts the mineral to supply global markets. Primarily used in the production of lithium-ion batteries, this resource has become essential for manufacturing electric vehicles, whose sales and global demand continue to grow exponentially.

Syrah Resources has secured significant contracts with major players in the automotive sector, including Tesla and Lucid Motors, two of the leading electric vehicle manufacturers in the world. The company announced a three-year agreement with Lucid Motors for the supply of natural graphite for battery production starting in 2026. These agreements involve the supply of graphite extracted from Balama, particularly to Syrah's Vidalia plant in Louisiana, USA, where the mineral is processed for use in EV batteries. It is estimated that graphite production in Balama will reach 7,000 tons of active anode material annually, a crucial component in lithium batteries, meeting the sector's growing demand.

This strategic role of Balama in the supply of graphite not only positions Mozambique as a key player in the global mineral market but also reinforces the country's relevance in the ongoing energy revolution driven by electric vehicles and sustainable energy solutions.

While these contracts highlight the growing importance of Balama graphite on the global stage, they also reveal its direct impact on the development of leading automotive industries such as Tesla, which dominates the EV market, and Lucid Motors, renowned for its luxury, high-efficiency vehicles. The production forecasts in Balama, which supply plants like the one in Vidalia, underscore the fundamental role of Mozambican graphite in battery technology advancement and the transition to a low-carbon economy. The increasing demand for this strategic mineral places Mozambique among the world's top suppliers, positioning Balama as a critical link in the global supply chain for raw materials in the electric vehicle sector.

In November 2023, Syrah Resources secured a \$150 million financing package from the U.S. Development Finance Corporation (DFC), a U.S. government development finance institution. The first disbursement of \$53 million was made at the end of 2023¹. The company has committed to adhering to the highest standards of environmental, social, and governance (ESG) responsibility in the United States, including strict compliance with human rights standards.

However, the reality on the ground in Mozambique, particularly in Balama, paints a starkly different picture. Local communities face precarious working conditions, with frequent reports of human rights abuses, including violations of labor rights, such as low wages, wage disparities between local and foreign workers, and the denial of benefits such as annual leave.

¹ <https://www.oeconomico.com/mocambique-na-cadeia-global-de-veiculos-eletricos-grafite-de-balama-sera-utilizada-pela-lucid-motors-a-partir-de-2026/>

These discrepancies expose a glaring contradiction between the corporate responsibility commitments made abroad and the harsh reality of extraction at the source².

The Expulsion of Workers and Labor Rights Violations: A Catalyst for Discontent

Syrah's operations in Balama have been frequently disrupted due to various factors, including terrorist attacks near the mine, unsustainable working conditions, and misalignment between production and market demand. In 2022, a workers' strike demanding better working conditions—including salary increases and recognition of professional qualifications—led to a temporary suspension of mining activities. Additionally, the company faces financial struggles, including defaulting on loans financed by the U.S. government³.

The illegal dismissal of 23 local workers by Twigg Exploration & Mining Lda, a subsidiary of the Australian Syrah Resources, following a legitimate strike in 2022, exposed severe labor rights violations and blatant disregard for local communities, who are the rightful owners of the extracted resources. The strike stemmed from poor working conditions, low wages, and stark inequalities in benefits between local and non-local workers. Instead of engaging in fair negotiations, the company opted to dismiss workers without compensation or due process, exacerbating tensions within the local community and fostering deep mistrust⁴.

The authoritarian stance taken by the company—expelling workers without ensuring their

rights—has not only worsened its relationship with employees but has also undermined its credibility among local communities, who now perceive the company as indifferent to their well-being.

This contradicts Syrah Resources' stated commitments to human rights and corporate social responsibility, especially when considering the high standards the company claims to uphold in other parts of the world, such as its Louisiana plant in the United States⁵. Syrah cannot claim to uphold fair labor practices abroad while treating Mozambican workers with inequality and disregard. If this gap between rhetoric and practice is not urgently addressed, it will result in irreparable reputational damage and heightened conflicts with the local communities, who feel marginalized by the extraction of their natural resources without tangible benefits.

To prevent further escalation, Syrah Resources must immediately adopt a more responsible approach and uphold workers' rights, recognizing that local communities play a crucial role in sustaining its operations. By continuing to dismiss workers and neglect community needs, the company perpetuates social exclusion and fuels cycles of unrest and radicalization, particularly among disenfranchised youth.

The Need for Battery Manufacturing in Mozambique to Create Jobs for Youth: An Overlooked Challenge

Despite Cabo Delgado's immense wealth in natural resources, particularly the Balama graphite, most profits from resource extraction remain in the hands of foreign companies, leaving local communities marginalized from the economic benefits. This highlights an unequal and irresponsible exploitation of natural resources in a

country facing severe social and economic challenges. The Mozambican government can no longer afford to ignore this issue—a more effective strategy is needed to ensure that the wealth generated benefits local populations.

To illustrate the scale of Mozambique's resource extraction: in 2020, the country produced

² <https://cddmoz.org/wp-content/uploads/2020/07/Financiadores-internacionais-ignoram-situacao-de-direitos-humanos-em-Cabo-Delgado.pdf>

³ <https://cddmoz.org/wp-content/uploads/2020/07/Excesso-de-producao-de-grafite-em-Balama-leva-a-suspensao-da-producao-da-Syrah-Resources.pdf>

⁴ <https://cddmoz.org/wp-content/uploads/2020/07/Subsidiaria-da-australiana-Syrah-Resources-expulsa-ilegalmente-23-trabalhadores-naturais-de-Cabo-Delgado-apos-greve-de-2022.pdf>

⁵ <https://cddmoz.org/wp-content/uploads/2020/07/Financiadores-internacionais-ignoram-situacao-de-direitos-humanos-em-Cabo-Delgado.pdf>

120,000 tons of graphite, but this figure dropped to 77,116 tons in 2021. Production rebounded to 182,024 tons in 2022, followed by 117,416 tons in 2023⁶.

President Daniel Chapo, upon taking office, pledged to end the “era of irresponsible resource exploitation”. However, for this promise to materialize, concrete and direct action is needed. A local industry that processes mineral resources, such as graphite, is essential to improving the livelihoods of communities directly affected by extraction. Without clear policies ensuring that extraction benefits the people of Cabo Delgado, the risk of widening social inequality and public discontent is high—potentially fueling radicalization and extremism.

Cabo Delgado exemplifies how a lack of employment opportunities can drive social unrest and insecurity. Since 2017, the province has suffered from armed group attacks, many of which recruit unemployed youth who, lacking economic opportunities, become vulnerable to extremist ideologies. Without jobs and access to quality education, many young people seek alternative means of survival, including joining militant groups that provide a sense of belonging and purpose. To counteract violence and extremism, it is urgent to create local job opportunities and develop a sustainable economy that prioritizes the local population—particularly its youth.

One of Mozambique’s greatest missed opportunities is the lack of a local industry to process graphite extracted in Cabo Delgado rather than exporting it in its raw form. Establishing processing plants and battery manufacturing facilities

within the country would not only create direct and indirect jobs for youth but also boost the economic development of the province. Investing in a domestic value chain would allow local communities to benefit from the wealth generated, marking a transformational shift in the country’s development trajectory.

The absence of this industrial infrastructure means that profits from mining continue to flow out of Mozambique, while local communities remain excluded from their fair share of the wealth generated from their land.

By fulfilling its promise of responsible resource exploitation, the Mozambican government has an opportunity not only to improve the national economy but also to ensure long-term stability and security. Cabo Delgado must not remain just a resource hub for multinational corporations. Creating a local industry to process and add value to these resources—generating jobs and economic opportunities for young people—is the key to a more balanced and sustainable future.

Companies operating in Mozambique, such as Syrah Resources, must take economic and social responsibility for the well-being of local communities. It is not enough for these companies to promise ethical standards and corporate responsibility abroad—such as in the U.S.—if these commitments are not upheld in the areas where graphite is extracted.

Young people in Cabo Delgado deserve more than empty promises—they have the right to see their lives improve through the responsible and equitable use of their land’s resources.

Opportunities to Align the United Nations Guiding Principles on Business and Human Rights with the Right to Development of Local Communities

An analysis of graphite extraction in Balama, Cabo Delgado, through the lens of the United Nations Guiding Principles on Business and Human Rights (UNGPs), reveals multiple violations of these principles by both the State and the companies involved in the extraction process.

Failure to Protect: The State’s Negligence (Pillar 1)

The Mozambican government has failed to protect the rights of local communities by not implementing effective regulations or ensuring proper oversight of natural resource extraction.

⁶ <https://www.oeconomico.com/mocambique-na-cadeia-global-de-veiculos-electricos-grafite-de-balama-sera-utilizada-pela-lucid-motors-a-partir-de-2026/>

Instead of guaranteeing that companies operate in ways that benefit local populations, authorities have allowed forced dismissals of workers and permitted resource exploitation without ensuring direct benefits for affected communities. This lack of state intervention constitutes a clear failure to uphold the “State Duty to Protect” (Pillar 1) of the UNGPs.

Failure to Respect: Corporate Negligence (Pillar 2)

Companies operating in Balama, particularly Syrah Resources, have not upheld their responsibility to respect human rights. Despite their international commitments to corporate social responsibility (CSR), they have failed to ensure that their mining operations benefit local communities.

- **Lack of Local Development Initiatives:** No meaningful efforts have been made to create jobs, develop skills, or invest in local infrastructure that would directly improve living conditions for affected populations.
- **Poor Labor Conditions & Forced Dismissals:** Workers have been subjected to unsafe and precarious conditions, while mass layoffs have occurred without fair compensation or reintegration measures.
- **Disregard for Fair Wages & Benefits:** There is a clear disparity in treatment between local workers and foreign employees, reflecting a violation of fundamental labor rights.

This disregard for ethical business practices contradicts the corporate commitments of companies like Syrah Resources, which pledge to follow Environmental, Social, and Governance (ESG) standards in other regions, such as the United States. However, their failure to implement these same standards in Mozambique exposes a stark double standard in their approach to human rights.

Failure to Remedy: Absence of Compensation for Violations (Pillar 3)

Under the third pillar of the UNGPs, companies are required to provide effective remedies for

any harm caused to human rights or the environment. However:

- Workers dismissed unjustly have not been compensated, nor have efforts been made to address their grievances.
- Local communities continue to suffer from the negative effects of mining without any meaningful investment in infrastructure, healthcare, or education.
- There are no clear accountability mechanisms ensuring that companies repair damages they have caused.

This lack of corporate responsibility demonstrates that neither the government nor the companies are taking adequate steps to address human rights violations or correct systemic injustices arising from resource extraction.

The Right to Development: A Neglected Priority

The graphite extracted from Cabo Delgado is exported primarily to international markets, preventing Mozambique from fully capitalizing on its own natural resources to create local jobs and industrialize its economy.

- **No Investment in Local Processing:** There are no initiatives to establish domestic battery production plants, despite the strategic importance of graphite in the global electric vehicle industry.
- **Resource Exploitation Without Community Benefits:** The absence of policies that promote local beneficiation has led to increased social tensions, particularly in a province already plagued by armed conflicts and socio-economic struggles.

Cabo Delgado’s right to development is being violated, as neither the government nor corporations are investing in inclusive and sustainable policies that empower affected populations.

- No significant job creation programs for youth.
- No skills training initiatives for locals to participate in higher-value industrial sectors.
- No infrastructure development to ensure that mining revenues benefit local communities.

Conclusion: Urgent Need for Systemic Change

It is evident that the UN Guiding Principles on Business and Human Rights are not being upheld in Cabo Delgado. The duty to protect, respect, and remedy has been systematically ignored, while the right to development has been sidelined in favor of corporate profits and international exports.

To rectify these violations, both the State and companies must take concrete actions to:

- Ensure that local communities receive their fair share of benefits from resource extraction.

- Mandate corporate accountability for labor rights violations.
- Implement policies that prioritize local value addition, ensuring that Mozambique's natural resources contribute to its long-term development.

Without immediate reforms, resource extraction in Balama will continue to fuel social inequality, economic exclusion, and potential conflict, rather than serving as a driver of sustainable and inclusive growth.



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