

Overview and Challenges in Development and Management of Natural Resources in Tanzania

By Eng. Bashir Mrindoko
Commissioner for Energy, Tanzania
January 2010

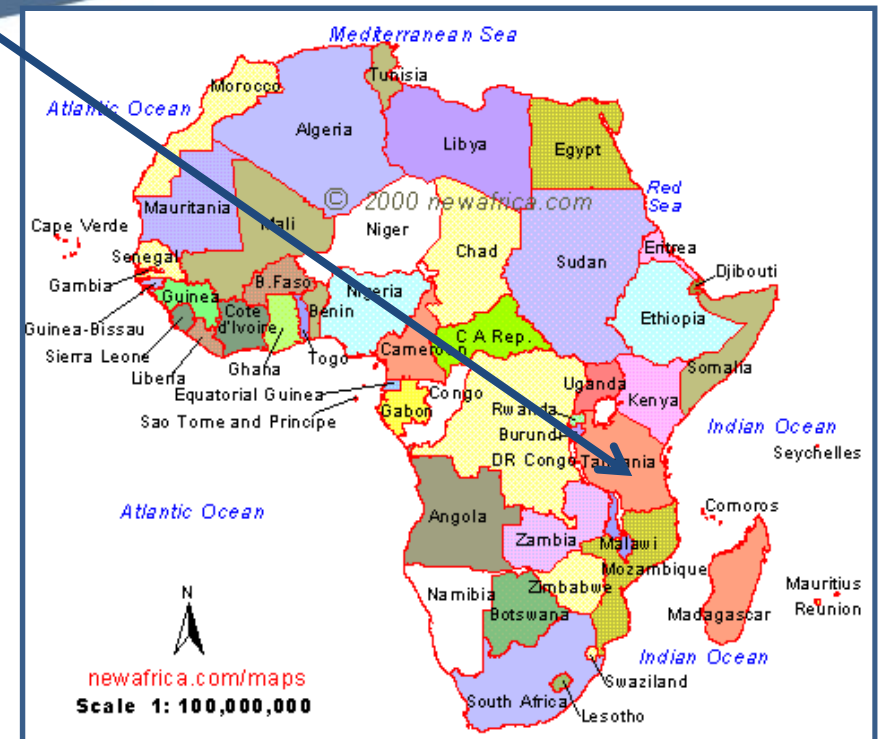


Location of Tanzania

Tanzania

Surface Area - 945,000 km²

- Arable Land - 440, 000 km²
- Cultivated Land -102, 000 km²



2.0 Tanzania at a Glance (2008)

Total expenditure	4.7bn\$
Tanzania total revenue	4.2bn\$
GDP	12.8bn\$
GDP per capita	334\$
Real growth in GDP	7.1%
GDP Agriculture	27%
GDP industry	23% (mining 3%)
Services	50%
Population at <2.0\$/day	90%

2.0 Tanzania at a Glance (2008)

Proven gas reserves	800 bcf
Annual gas production	408 m ³ /year
Annual gas revenue	\$ 14,000,000
Gas revenue on total	0.3%
Proven gold reserves	840 tons
Gold production	52 tons/year
Gold revenue	\$ 773, 000,000
Gold revenue on total	18%

3.0 Natural Resource and Conflict

- Hollywood movie “**Blood Diamonds**” about a battle over control of diamond mines in Sierra Leone and its brutal consequences for its people

Why conflict??

- Conflict lies on the way in which resources are **extracted**
- How revenues are **distributed**
- How the local population is **involved**

3.1 How Companies Can Worsen Conflicts?

- Ignoring the concerns of local communities, e.g. failing to comply with environment standards
- Attempt to evade official taxes and reinforcing corrupt power structures and lack of transparency
- Widening existing social inequalities

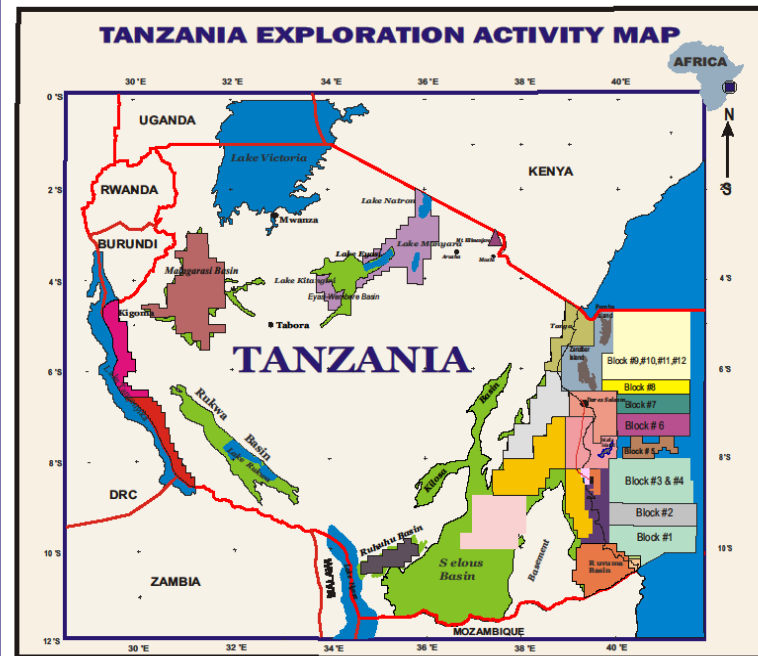
3.2 How to Prevent / Resolve Conflicts?

- **Transparent** and equitable distribution of wealth/revenue generated from the resource sector
- Socially and environmentally responsible **corporate governance**
- **Transparent** and **responsible** tax policies
- Government policies that **protect** the interests of companies as well as the local populations

4.0 Underlying Principles of Resource Development and Management

- Sound management at **all stages** of natural resources exploitation –from extraction to the collection and expenditure of revenues
- Adoption of practices that adhere to and reinforce standards of **accountability** and **transparency**

TANZANIA PETROLEUM DEVELOPMENT CORPORATION



LICENSING STATUS - JUNE, 2009

SHELL INTERNATIONAL - PSA APPLICATION - BLOCKS 9, 10, 11 & 12	STATOIL ASA - PSA LICENCE - BLOCK #2
ANTRIM RESOURCES - PSA LICENCE - ZANZIBAR AND PEMBA	PETROBRAS TANZANIA - PSA LICENCE BLOCK # 5
MAUREL & PROM - PSA LICENCE - BIGWA AND MAFIA CHANNEL	PETROBRAS TANZANIA - PSA LICENCE BLOCK #6
DOMINION OIL & GAS - PSA LICENCE - SELOUS BASIN	ON-SHORE OPEN BLOCKS
DOMINION OIL & GAS - PSA LICENCE - MANDAWA BLOCK	DOMINION PETROLEUM LTD - PSA LICENCE BLOCK#7
DOMINION OIL & GAS - PSA LICENCE - KISANGIRE BLOCK	PETROBRAS - PSA APPLICATION BLOCK#8
NDOVU RESOURCES - PSA LICENCE - NYUNI BLOCK	PAE-DEVELOPMENT LICENSE - SONGOSONGO GAS FIELD
NDOVU RESOURCES - PSA LICENCE - RUVUMA BASIN	OPHR ENERGY COMPANY - PSA LICENSE FOR BLOCK 1, 3 & 4
DODSAL PSA LICENSE - RUVU BLOCK	ARTUMAS GROUP INC - DEVELOPMENT LICENSE MNAZI BAY
PETRODEL - PSA LICENCE - TANGA BLOCK	RAS AL KHAMAH GAS COMMISSION PSA LICENSE - EAST PANDE BLOCK
PETRODEL - PSA LICENSE FOR LATHAM BLOCK	KEY PETROLEUM - PSA LICENSE-WEST SONGOSONGO
TULLOW OIL - NORTH LAKE TANGANYIKA - PSA APPLICATION	HYDROTANZ LTD - PSA - NORTH OF MNAZIBAY
BEACH PETROLEUM - SOUTH LAKE TANGANYIKA PSA APPLICATION	MOTHERLAND HOMES - MALAGARASI PSA APPLICATION
TOWER RESOURCES PLC - LAKE EYASI-WEMBERE, MANYARA, NATRON PSA APPLICATION	
ANSCO PETROLEUM (T) LTD -RUHUHU PSA APPLICATION	

For further details, email info@pdc-tz.com, or visit <http://www.pdc-tz.com>

5.0 Oil and Natural Gas Activity

5.1 The case of Oil and Natural Gas in Tanzania

- Legal and Regulatory Framework
- Model Contract
- Other Instruments

5.1.2 Legal Frame Work

Key instruments

- Petroleum (Exploration and Production) Act, 1980
- Petroleum Act, 2008
- The Model Production Sharing Agreement
- Other laws related to the Petroleum Act
 - The Constitution of Tanzania(1977)
 - Public Corporations Act No. 17 (1969)
 - Income Tax Act, 2004
 - The National Investment (Promotion and Protection) Act, 1990
 - Gas Act (Draft)

5.1.2 Legal Frame Work cont..

❑ Petroleum (Exploration and Production) Act 1980 provides for Government Administration of Petroleum resources as follows:

- Area under which the Act covers within Tanzania (Section 1 and 2)
- Ownership of petroleum resources and control are **vested in the State** (Section 4)

5.1.2 Legal Frame Work cont..

- Consistent with the Constitution of Tanzania and the TPDC establishment (Public Corporation Act of 1969), TPDC is the license holder under Production Sharing Agreements
- Minister may authorize TPDC to conduct on behalf of the Government petroleum investigations and negotiations of contracts

5.1.2 Legal Frame Work cont..

The Petroleum (Exploration and Production) Act, 1980 provides for:-

- Authority of the Minister of Energy to grant licenses (Section 14) and to make regulations (Section.94)
- Authority of the Commissioner of Petroleum Affairs to administer petroleum activities (PART II of the Act)

5.1.2 Legal Frame Work cont..

The Petroleum (Exploration and Production) Act, 1980 provides for:-

- Framework for application, award, modification, cancellation and relinquishment of licences
- Penalties or fines for those contravening the petroleum law

5.1.2 Legal Frame Work cont..

The Petroleum (Exploration and Production) Act, 1980 defines:

- Administrative powers and terms under which exploration and development will be carried out
- Obligations of the parties holding exploration and production licences

5.1.2 Legal Frame Work cont..

Specifically the Petroleum Act provides for licensee to :-

- Fulfil all technical requirements according to agreed Work Program (Section 20 and 38)
- Furnish funds for agreed minimum expenditure (Section 20 and 38)
- Train and employ Tanzania nationals (Section 38)

5.1.2 Legal Frame Work cont..

The Petroleum(Exploration and Production) Act, provides for licensee to:

- Conduct operations in accordance with good oilfield practices (Section 58), avoid damage to reservoir, observe safety, health and welfare of persons
- Submit data, reports and information as required (Section 31)

5.1.2 Legal Frame Work cont..

Licence Duration:

The Petroleum (Exploration and Production) Act, provides for:

- A 4-year initial exploration period renewable once for 4 years and once for another 3 years (Sec. 25) .
- Relinquishment of 50% of the licence area with each renewal of an exploration licence (Section 27).

5.1.2 Legal Frame Work cont..

Licence Duration cont..

In case of a discovery, the Minister **may** grant a 2-year appraisal period (Section 29 and 34) which may be extended for a period not exceeding 3 years

- A 25-year development period renewable up to a maximum of 20 years (Section 42)
- In total, therefore, activities may continue for 58 years

5.1.2 Legal Frame Work cont..

- ❑ Sect. 14 provides for the Minister to enter into an agreement for exploration
- ❑ Currently preferred is the Model Production Sharing Agreement:
 - An instrument for negotiation between the Government, TPDC (GNT) and the Oil Company
 - Fiscal terms that are subject to negotiation

6.0 Model of Contract

Production Sharing Agreement (PSA):

- Oil Companies bears exploration and exploitation costs on behalf of TPDC
- Oil Companies recovers exploration and exploitation costs when production start
- Profit Oil is split between TPDC and Oil Company.

6.0 Model of Contract cont..

❑ Under the Production Sharing Agreement:-

- Royalty is taken upfront before cost oil is paid
- Income Tax is paid by all contractor parties to the PSA according to the Income Tax Act 2004

7.0 Joint Operating Agreement

- Standard JOA for purposes of development and production of oil and gas resources
- Currently two (JOA) have been negotiated and are operational

8.0 Draft Gas Agreement

Draft gas Agreement has been discussed to lay down framework for production, transportation and sale of natural gas in the country.

Will be tabled to Parliament any time from now

9.0 Extractive Industry Transparency Initiative (EITI)

EITI is a Global initiative to improve transparency and accountability. EITI supports governments to improve governance through:

- Verification and full publication of company payments and government revenues from gas, oil and mining.
- Tanzania needs the support because the extractive industries are dominated by powerful and influential international /multinational companies

9.1 EITI Process in Tanzania

- Tanzania sent a Letter to the Chairperson of EITI Board on 17th Nov.2008
- On 18th November,2008 Government of Tanzania declared its committment to EITI
- Tanzania has commenced the EITI implementation process
- Tanzania was admitted as candidate country for EITI on 16th September,2009

10.0 Challenges in Implementing the EITI

Factors and challenges that will affect the successful implementation of EITI include the following:-

- Different interested groups must build the capacity to **analyse information** and determine the type of questions to be asked to advance their policy goals
- The need to build effective coalitions that links the technical side to the grassroots **understanding and participation**

10.0 Challenges in Implementing the EITI cont..

- Build public awareness and break government's monopoly on information, and influence the actions of public officials
- The civil society's ability to determine what strategies they will use to engage officials, both informal and informal processes and structures
- CAPACITY BUILDING AND COMMUNICATION STRATEGY ARE NECESSARY INGREDIENTS

**THANK YOU FOR YOUR
ATTENTION**

Asanteni Sana

