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CHAPTER FOUR

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<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>2D Seismic Data</td>
<td>Two Dimensional Seismic Data</td>
</tr>
<tr>
<td>3D Seismic Data</td>
<td>Three Dimensional Seismic Data</td>
</tr>
<tr>
<td>CBOs</td>
<td>Community Based Organizations</td>
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<tr>
<td>CSOs</td>
<td>Civil Society Organizations</td>
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<tr>
<td>Calls</td>
<td>Departments</td>
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<tr>
<td>DPs</td>
<td>Development Partners</td>
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<tr>
<td>DRP</td>
<td>Disaster Recovery Plan</td>
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<tr>
<td>E&amp;P</td>
<td>Exploration and Production</td>
</tr>
<tr>
<td>EITI</td>
<td>Extractive Industry Transparency Initiative</td>
</tr>
<tr>
<td>EWURA</td>
<td>Energy and Water Utilities Regulatory Agency</td>
</tr>
<tr>
<td>FBOs</td>
<td>Faith Based Organization</td>
</tr>
<tr>
<td>FDP</td>
<td>Field Development Plan</td>
</tr>
<tr>
<td>HSE</td>
<td>Health Safety and Environment</td>
</tr>
<tr>
<td>LGAs</td>
<td>Local Government Authorities</td>
</tr>
<tr>
<td>M &amp; E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministries, Department and Independent</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministry Departments and Independency Agencies</td>
</tr>
<tr>
<td>MEM</td>
<td>Ministry of Energy and Minerals</td>
</tr>
<tr>
<td>MPSA</td>
<td>Model Production Sharing Agreement</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plans</td>
</tr>
<tr>
<td>NGOs</td>
<td>Non Governmental Organizations</td>
</tr>
<tr>
<td>NOC</td>
<td>National Oil Company</td>
</tr>
<tr>
<td>PIC</td>
<td>Petroleum Importation Coordinator</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>PSA</td>
<td>Production Sharing Agreement</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>PUR</td>
<td>Petroleum Upstream Regulator</td>
</tr>
<tr>
<td>RE</td>
<td>Revised Edition</td>
</tr>
<tr>
<td>SUMATRA</td>
<td>Surface and Marine Transport Regulatory Authority</td>
</tr>
<tr>
<td>TBS</td>
<td>Tanzania Bureau of Standards</td>
</tr>
<tr>
<td>TCF</td>
<td>Trillion Cubic Feet</td>
</tr>
<tr>
<td>TEIT</td>
<td>Tanzania Extractive Industry Transparency Initiative</td>
</tr>
<tr>
<td>TPDC</td>
<td>Tanzania Petroleum Development Cooperation</td>
</tr>
<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
</tr>
<tr>
<td><strong>DEFINITIONS</strong></td>
<td></td>
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<tr>
<td>-----------------</td>
<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Act</strong></td>
<td>Petroleum (Exploration and Production) Act, CAP. 328 R.E. 2002 as amended repealed or replaced from time to time.</td>
</tr>
<tr>
<td><strong>Affiliate Company”</strong> or <strong>“Affiliate”</strong></td>
<td>Any company holding directly or indirectly a majority of shares in any company which is controlled directly or indirectly by any such aforesaid company.</td>
</tr>
<tr>
<td><strong>Block</strong></td>
<td>Shall have the meaning ascribed to it by the Act;</td>
</tr>
<tr>
<td><strong>Decommissioning</strong></td>
<td>Removal and/or disposal of structures, facilities and installations including pipeline equipment and other property used in Petroleum Operations in an area, cleaning up of the area, plugging and securing of Wells, restoration of land, safety clearance of an area, in connection with cessation or partial cessation of Petroleum Operations in an area or part of an area;</td>
</tr>
<tr>
<td><strong>Decommissioning fund</strong></td>
<td>Funds set aside as financial security for decommissioning</td>
</tr>
<tr>
<td><strong>Delivery Point</strong></td>
<td>The point at the wellhead or at an inlet flange of a processing plant for the case of deep-water well.</td>
</tr>
<tr>
<td><strong>Development operations</strong></td>
<td>Operations for or in connection with the production of Petroleum and include the activity carried out to prepare the Development Plan and the activity carried out after the approval of the development plan in the respective Development Area</td>
</tr>
<tr>
<td><strong>Downstream Activities</strong></td>
<td>Activities related to crude oil/ petroleum products’, importation, storage, transportation, further processing supply and marketing.</td>
</tr>
<tr>
<td><strong>Dutch Diseases</strong></td>
<td>The adverse results of large-scale positive shock to a single sector of the nation’s economy. Without proper management the consequences may include widespread inflation and other sectors suffer from inability to attract workers, higher wages, drastic increase in foreign exchange causing problems with local currencies and fiscal and monetary problems can occur.</td>
</tr>
<tr>
<td>Economic Rent</td>
<td>The difference between the value of production and the costs to extract it, &quot;excess profit&quot;. The extraction costs consist of exploration, development, operating cost as well as appropriate share of the profit for the petroleum industry.</td>
</tr>
<tr>
<td>----------------</td>
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<tr>
<td>Exploration activities</td>
<td>Activities related to or in connection with the searching for petroleum, such as acquisition of license, acquisition of geological and geophysical data, carrying out seismic surveys, drilling of exploration and appraisal wells, etc.</td>
</tr>
<tr>
<td>Field Development Plan</td>
<td>A plan containing detailed proposal for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage, transportation of petroleum from the proposed development area and training and employment of Tanzanians.</td>
</tr>
<tr>
<td>Frontier areas</td>
<td>Virgin exploration areas with limited geological and geophysical data.</td>
</tr>
<tr>
<td>Hydrocarbon</td>
<td>The natural occurrence of carbon-hydrogen (sometimes with oxygen) compounds either in solid, liquid or gaseous state.</td>
</tr>
<tr>
<td>Joint Development</td>
<td>Partnership arrangement between oil companies or between company and host government in development of the oil and gas field.</td>
</tr>
<tr>
<td>Licence</td>
<td>An arrangement between oil company and the host government regarding a specific geographical area for the purpose of carrying out operations of exploration for and production of petroleum.</td>
</tr>
<tr>
<td>Liquefaction</td>
<td>The act or process of turning a gas into a liquid. Liquefaction is usually achieved by compression of vapours (provided the temperature of the gas is below critical temperature), by refrigeration or by adiabatic expansion.</td>
</tr>
<tr>
<td>Liquefied Natural Gas (LNG)</td>
<td>A liquid form of natural gas, which has been cooled to about minus 162°C (minus 260°F) at normal pressure. The liquefaction converts the gaseous phase into an easily transportable liquid whose volume is approximately 600 times less than the original volume of natural gas.</td>
</tr>
<tr>
<td><strong>Liquefied Petroleum Gas (LPG)</strong></td>
<td>Light hydrocarbon material, gaseous at atmospheric temperature and pressure, held in the liquid state by pressure to facilitate storage, transport and handling. Commercial liquefied gas consists essentially of either propane, butane or a mixture of both.</td>
</tr>
<tr>
<td><strong>Local Company</strong></td>
<td>A company incorporated in Tanzania whose shares are wholly owned, or at least 50% of its shares are held by Tanzanian nationals.</td>
</tr>
<tr>
<td><strong>Local Content</strong></td>
<td>The added value brought to the hydrocarbon resources of the United Republic of Tanzania through the participation and use of national labour, technology, goods, services, capital and research capabilities.</td>
</tr>
<tr>
<td><strong>Mid-stream Activities</strong></td>
<td>Activities related to the gathering, compression and processing functions required between the wellhead and the transmission system.</td>
</tr>
<tr>
<td><strong>National Company</strong></td>
<td>A company established under the laws of Tanzania in which the Government or its agent owns fifty one percent or more of the shares.</td>
</tr>
<tr>
<td><strong>National Oil and Gas Company</strong></td>
<td>An oil and gas company established under the laws of Tanzania in which the Government or its agent owns fifty one percent or more of the shares.</td>
</tr>
<tr>
<td><strong>Natural Gas</strong></td>
<td>A fossil fuel naturally occurring as a gaseous mixture of light hydrocarbons in sedimentary rocks. Main constituents of natural gas are methane, ethane, propane, butane and pentane with other non-hydrocarbons compounds including carbon dioxide, hydrogen, sulphide, nitrogen and rare gases found in small quantities.</td>
</tr>
<tr>
<td><strong>Offshore</strong></td>
<td>The area extending from the lowest limit of low spring tides or baseline to the edge of the continental shelf and normally located in water equal to or greater than 200 metres.</td>
</tr>
<tr>
<td><strong>Onshore</strong></td>
<td>on the land</td>
</tr>
<tr>
<td><strong>Petroleum</strong></td>
<td>Naturally occurring mixture of hydrocarbons, whether in a gaseous (natural gas), liquids (crude oil), or solid state (tar); or any naturally occurring mixture of one or more hydrocarbons (whether in a gaseous, liquid, or solid state) and any other substance.</td>
</tr>
<tr>
<td><strong>Production Sharing Agreement</strong></td>
<td>A contractual agreement between an oil company (‘contractor’) and a host government whereby the contractor bears all costs and risks for exploration including financing and technology and in case of oil or gas discovery, the contractor is allowed to recover the costs for exploration, development and production and share the profit oil/gas with the host government.</td>
</tr>
<tr>
<td><strong>Petroleum Revenue Fund</strong></td>
<td>A monetary fund consisting of all part of the revenue accrued from petroleum operations set up to build savings for future generations, or use the money for economic and social development.</td>
</tr>
<tr>
<td><strong>Rent seeking</strong></td>
<td>The dissipation of wealth through efforts to redistribute resources by way of politics, rather than the production of wealth through market.</td>
</tr>
<tr>
<td><strong>Resource Curse</strong></td>
<td>Phenomena whereby countries that are rich in valuable resources and are producing at high rates tend to have lower economic growth in sectors not related to the resource. The countries affected also show varying degrees of unfairness in the distribution of wealth as well as social and political rights.</td>
</tr>
<tr>
<td><strong>Shallow Shore</strong></td>
<td>An area along the shore with water depth less than 200 metres.</td>
</tr>
<tr>
<td><strong>Speculative survey</strong></td>
<td>Arrangement by the host country with an oil company or speculative survey company to acquire data in frontier areas where the latter bears the costs and risks hoping to sell the acquired data to third party(ies) and use the revenue accrued to recover the costs of data acquisition and share the profit with the owner of the data (host country).</td>
</tr>
<tr>
<td><strong>Decommissioning</strong></td>
<td>A set of activities to be undertaken to manage and dispose of installations and platforms and eliminate environmental footprint once a producing has reached the end of, its economic life.</td>
</tr>
<tr>
<td><strong>Tail-end Production</strong></td>
<td>The measures and changes undertaken in the production facilities and production plans in order to prolong production operations before the field reaches its economic limit under the prevalent production plan.</td>
</tr>
<tr>
<td>-------------------------</td>
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</tr>
<tr>
<td><strong>Transfer Pricing</strong></td>
<td>Price charged by individual entities for goods or services supplied to one another in multi-department office, or among different firms.</td>
</tr>
<tr>
<td><strong>Upstream Activities</strong></td>
<td>Activities related to exploration, appraisal, development and production stages of oil and gas</td>
</tr>
<tr>
<td><strong>Value Creation Chain</strong></td>
<td>The sequence of activities involved in increasing the value of the crude oil or natural gas and its products through extraction, transportation, processing and further refinement or modification until the final use of products by consumers. These activities include exploration, production, processing, transportation and marketing.</td>
</tr>
</tbody>
</table>
FOREWORD

Petroleum Resources (oil and natural gas) are finite resources belonging to the people of Tanzania and should be managed and utilized for the long-term benefit of the nation as a whole.

To achieve that global objective, Tanzania has formulated Petroleum Policy to address both general principles and important aspects of the different phases of the petroleum value chain including: Pre-License phase; Licensing strategy and licensing process; Development and production; Production termination and decommission; Health, Safety, Security and Environment Management; Management of Petroleum Revenue to avoid the resource curse and ensure that petroleum production generate substantial revenues for the nation; and Management of expectations.

The Policy preparation process started with the formation of Petroleum Policy Committee (PPC), comprising members from Ministry of Energy and Minerals (MEM), President’s Office - Planning Commission, Ministry of Land, Housing, Water and Energy - Zanzibar, Tanzania Petroleum Development Corporation-TPDC, Tanzanian Revenue Authority (TRA) and National Environment Management Council (NEMC). The composition of the PPC aimed at ensuring that the Policy covers all critical issues pertaining to the petroleum sub-sector. The Petroleum Policy Committee worked closely with a moderator/advisor from Norway right from the initial stages of problem identification to the drafting of the Policy Document itself.

During the drafting process, the Petroleum Policy Committee reviewed various policy documents related to petroleum including the petroleum policies of Norway and emerging petroleum producing countries (Uganda, Ghana, Sierra Leone, Pakistan, etc.). The PPC also visited Norway and had constructive discussions with Norwegian Government institutions responsible for governance of the petroleum upstream sub-sector.

The draft Petroleum Policy was discussed by all stakeholders including Government institutions, oil companies, NGOs and public in general. The inputs received from stakeholders were used to improve the Policy Document.

Let me take this opportunity to extend my sincere appreciation to all stakeholders who participated in the preparation of this Policy. Let me also thank the Royal Government of Norway for partly sponsoring the policy making process through the Institutional Co-operation Programme between Tanzania and Norway in the Petroleum Upstream Sub sector.

The successful implementation of this Policy calls for participation of all stakeholders including, the Government and its public institutions, the private sector, local communities and the public as a whole.

The implementation of this Policy will be aligned with the Tanzania Five Year Development Plan (2011/12-15/16), National Strategy for Growth and Reduction of Poverty 2010-15 and other sectoral and cross-sectoral policies aiming at eradicating poverty in Tanzania.
It is my expectation that this Petroleum Policy will contribute significantly towards the acceleration of growth and socio-economic transformation of our country in accordance with our National Development Vision 2025 - Tanzania to become a middle income country by 2025.

Prof. Sospeter M. Muhongo (MP.)

MINISTER FOR ENERGY AND MINERALS
CHAPTER ONE

1.1 INTRODUCTION

Upstream, Midstream and Downstream are three main segments in the petroleum industry that a petroleum nation endeavours to regulate in order to create a successful petroleum industry. These segments form the mainframe areas of petroleum operations. The upstream activities include pre-licensing, licensing and exploration; appraisal, planning for development and production operations; and field development, petroleum production and disposal to primary customers. In addition, the government endeavours also to regulate the tail-end and decommissioning phases of petroleum production in order to ensure optimal resource recovery and the elimination of negative impacts or social impacts left behind after petroleum activity ceases. These upstream activities are complemented by midstream activities including marine transportation and pipelines and downstream activities including refining and processing, marketing and retail activities.

The common feature of the upstream petroleum industry is the high risk involved, and for this reason oil companies tend to seek maximum returns on their investment. Government policy governing this segment of petroleum activity aims at monitoring and guiding the industry to ensure that national interests are not compromised to those of the oil companies, but rather that a right balance is ensured between the interests of oil companies and those of the nation.

Midstream and downstream petroleum activities, involving the transporting and selling of petroleum, and the activities of associated industries, are basically less risky ventures, but have equal importance to the government in fundamental policy development as they contribute substantially to maximizing national benefit, and provide enhanced opportunities for local participation and value addition.

The significant discoveries of natural gas in offshore basins and the increased upstream operations in the country increase the onus on the government to create ground rules to guide Tanzania’s petroleum industry. The monitoring system supported by policy guidelines endeavours to link all the activity streams of the industry. Governance of the petroleum sector focuses not only on avoiding negative impacts but indeed aims at creating lasting benefits to the economy and social development in the country.


The increased petroleum operations and the huge discoveries of natural gas that have been made in the country entail a new and challenging era in exploration, production and utilization of petroleum resources. This new situation calls for a sector specific policy that would provide a basis for reviewing and updating the existing instruments governing the sector including petroleum legislations, regulations, contractual documents and
the structure of government institutions to accommodate the new development in the sector.

This Policy is aligned with the Constitution of the United Republic of Tanzania, Tanzania Development Vision 2025 and other sectoral and cross-sectoral policies,

1.2 STATUS OF PETROLEUM INDUSTRY IN TANZANIA

Upstream

Petroleum exploration activities are conducted in sedimentary basins located onshore, in shallow waters, in deep offshore and within inland rift valleys. The country’s sedimentary basins cover an area of approximately 543,000 square meters. Over 172,280 km of 2D seismic data and 25,631 square kilometres of 3D seismic data have been acquired. More than 70 exploration and development wells have been drilled, of which 53 wells are in onshore basins and 17 in the offshore basins. The well density is equivalent to 1 well per 7,870 square meters. This indicates that the country is still underexplored.

The first natural gas discovery was made in 1974 at the Songo Songo Island in Lindi region with estimated gas reserves in place of 1 TCF, followed by a second discovery at the Mnazi Bay (Mtwara Region) in 1982 with estimated gas reserves in place of 4 TCF. The Songo Songo natural gas was commercialized in 2004 and that of the Mnazi Bay in 2006. Other discoveries onshore include Mkuranga (2007), Kiliwani North (2008) and Ntoria-1(2012).

From 2010 - 2013, exploration efforts in the deep offshore basins resulted in discoveries of large quantities of natural gas in Block 1 (Chaza, Jodari, Mzia and Mkizi), Block 2 (Zafarani, Lavan and Tangawizi, Mlonge-1 and Binzari-1), Block 3 (Papa-1) and Block 4 (Pweza, Chewa and Ngisi). This has increased the total estimated gas reserves in place in Tanzania basins to more than 46.5 TCF.

Mid and Downstream

Tanzania has not yet discovered oil and imports petroleum products for domestic consumption. The government liberalized the downstream operations since 2000. Oil marketing companies import petroleum products for local consumptions as well as transit business through bulk procurement arrangement coordinated by Petroleum Importation Coordinator (PIC). The country demand for petroleum products is estimated to be over 1.8 million metric tons per year.

1.3 CHALLENGES

The deep sea discoveries have brought about new exploration targets for hydrocarbons in Tanzania and the whole of Western Indian Ocean Region. These positive developments are coupled with operational challenges facing the petroleum sub sector which include:
(i) Putting in place an effective legal, regulatory and institutional framework to monitor and administer the industry;

(ii) Ensuring the availability of human resources with the requisite skills, attitude, discipline and knowledge of the petroleum industry;

(iii) Creating work environment that would attract direct local and foreign investment in the petroleum industry;

(iv) Developing optimal petroleum infrastructures that will enhance the development of new resources and ensure the availability and reliability of petroleum supplies from producing fields;

(v) Putting in place trusted and transparent mechanisms (and facilities) for the sound management of the petroleum revenues;

(vi) Establishing and complying with health, safety and environmental standards; and

(vii) Managing expectations and reconciling conflicting views of stakeholders within the overall national interest.

CHAPTER TWO

2.1 POLICY JUSTIFICATION

In ensuring that the country gets adequate, reliable and affordable energy supplies, the National Energy Policy (2003) gives general guiding principles on the development and utilization of various energy sources: hydro, fossil fuels and renewable energies. The Energy Policy (2003) does not however, addresses specific issues pertaining to energy sub-sectors. The fast growing trend of the energy sub-sectors, including petroleum sub-sector, calls for the establishment of specific sub sector policies in order to prudently monitor and manage the sub-sectors. Moreover, petroleum is not only important to Tanzania as a possible source of energy, Petroleum, if managed properly can become a vital source of income which is very much needed for vitalizing the economy and paving the way towards sustainable social development.

Challenges in managing the petroleum sub-sector have been compounded by: increased petroleum exploration activities in the country; recent natural gas discoveries in the deep waters; and increased interest of multinational petroleum exploration companies in the country, in particular deep offshore areas. The increased petroleum operations particularly in the offshore areas call for the establishment of robust guidelines to mitigate negative impacts that may occur within i.e. Health, Safety, Security and Environment Management.

In view of the existence of the Natural Gas Policy, which focuses on mid and downstream operations for gas, a robust policy framework “Petroleum Policy” to govern petroleum upstream activities, mid and downstream for oil is required.
2.2 VISION AND MISSION

Vision
A well managed petroleum sub-sector that effectively contributes to the growth of the national economy.

Mission
To effectively and prudently administer, monitor and regulate the petroleum sub-sector.

2.3 OBJECTIVES

2.3.1 MAIN OBJECTIVE
To explore, produce and utilize the country’s petroleum resources in an effective and efficient manner that ensures lasting benefit to the nation as well as minimizing negative impacts to the society and environment.

2.3.2 SPECIFIC OBJECTIVES

i) To undertake petroleum exploration and production (E&P) activities in an optimal manner by selecting the right pace of hydrocarbons exploration and exploitation.

ii) To ensure that all petroleum and other related data and information are appropriately and systematically collected, assembled, sorted, processed, harmonized, stored and made available to the government and stakeholders.

iii) To ensure optimal development of all commercially promising discoveries and effective decommissioning solutions.

iv) To ensure availability of reliable and affordable petroleum supplies and their use in a sustainable manner.

v) To establish and efficiently manage the country’s petroleum resource potential.

vi) To effectively and efficiently use the petroleum revenue as catalyst for the sustainable growth of the national economy.

vii) To capture as much economic rent as possible to the government while assuring investors timely recovery of costs and an appropriate share of profit commensurate with the level of risks undertaken.

viii) To maximize national benefit by promoting local value addition and building local competencies and capacities within and outside the petroleum sector.

ix) To ensure mutually beneficial relationships between all stakeholders in the development of a desirable petroleum sub-sector for the country

x) To ensure that petroleum activities are performed in a safe and prudent manner that utilizes the best available technologies and operational practices as well as takes care of people and conserves the environment and biodiversity.
CHAPTER THREE

3.1 FUNDAMENTAL POLICY ISSUES AND STATEMENTS

In view of the existence of the Natural Gas Policy, the Petroleum Policy focuses on: petroleum exploration and resource extraction; crude oil processing, transportation and the sale of stabilized crude oil; petroleum refinement; importation of petroleum products; transportation and distribution of petroleum products in the local market.

This policy also embraces principles and proposals for the planning and execution of petroleum operations in full harmony with other aspects of the economy, the natural environment and social welfare.

3.1.1 OPERATIONAL ISSUES

UPSTREAM

The upstream petroleum operations include promotion, exploration, development and production. The operational aspects pertaining to this segment include: pre-licensing, licensing and exploration; information and data management; delineation and discovery assessment, development, production, and decommissioning.

3.1.1.1 Pre licensing, Licensing and Exploration

Issues

Assessment and evaluation of petroleum resource potential; promotion and awarding of exploration acreage; and monitoring of exploration operations.

Assessment of the country’s petroleum resource potential is a pre-requisite before embarking into licensing rounds. The aspects that need to be considered during the pre-licensing and licensing phases for the purpose of regulation and administration encompass: ensuring adequate legislative and contractual frameworks; clarifying jurisdictional and trans-boundary borders; reviewing reconnaissance surveys and technical evaluation reports; assessing petroleum resource potential; promoting and announcement of licensing bidding rounds; tendering pre-qualification; encouraging joint venture among applicants in one contract area; establishing work programmes and selection and awarding criteria; government monitoring of operations and approvals; and periodic reporting on exploration.

The assessments required during the pre-licensing phase shall include: evaluation of the petroleum resource potential and the various types of risks associated with petroleum operations in the different areas to be licensed; economic value of demarcated Block(s) to reflect the respective geological potential; and impact of petroleum operation on vital interests, assets and economic and social developments.

The outcome of the licensing phase (including the geographic spread, pace, intensity and sequencing of operations) should enable government to meet its obligations in terms of exercising its legitimate jurisdiction rights;
managing the resource-base in a realistic and fully informed manner; managing expectations within the nation and being fully prepared to mitigate harmful impacts from planned petroleum activities as well as managing revenue for the development of the national economy and social life.

To encourage investments and attract international oil companies to operate in the country, Tanzania shall strive to maintain competition in the licensing process through carefully planned and transparent license bidding rounds. The rounds should aim at attracting a variety of qualified applicants. These principles on licensing shall be entrenched in legislation.

**Objective**

*To undertake petroleum exploration and production (E&P) activities in an optimal manner by selecting the right pace of hydrocarbons exploration and exploitation.*

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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</thead>
<tbody>
<tr>
<td>i. Ensure that before any bidding round, petroleum resource potential assessment and evaluation are carried out in the open acreages.</td>
</tr>
<tr>
<td>ii. Ensure that where assessments of prospects indicate that they may be trans-boundary in nature, Tanzania will cooperate with her neighbours for joint development of such discoveries.</td>
</tr>
<tr>
<td>iii. Ensure that, prospects extending across two or more contract areas within Tanzania jurisdiction are operated and developed jointly.</td>
</tr>
<tr>
<td>iv. Ensure a transparent competitive bidding process and that applicants submit interpretations of the geological prospects in the area they are applying for.</td>
</tr>
<tr>
<td>v. Encourage non-incorporated joint ventures of several companies in one contract area and the use of the latest tested approaches in conducting exploration operations.</td>
</tr>
<tr>
<td>vi. Ensure that any gains obtained from transfers or sales of assets in the contract area are taxed as appropriate before granting of approval.</td>
</tr>
</tbody>
</table>

**3.1.1.2 Information and Data Management**

**Issues**

*Ownership, storage and dissemination of petroleum data and other related data and information.*
The existing data Management system faces challenges both in terms of storage, disseminations and accessibility of petroleum information and related data among the stakeholders. Bottlenecks behind these challenges include finance constrain to acquire appropriate technology and facilities to store the relevant data and share the same among the stakeholders.

The Government recognizes the importance of Data and information dissemination as key elements for the short as well as the long-term successful planning and administration of the petroleum sub-sector.

The government through relevant authorities shall endeavour to ensure that data collected in petroleum operations, are stored in a professional manner and utilized by all stakeholders for the benefit of the industry and the nation’s interest as a whole.

**Objective**

*To ensure that all petroleum and other related data and information are appropriately and systematically collected, assembled, sorted, processed, harmonized, stored and made available to the government as well as industry stakeholders.*

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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</thead>
<tbody>
<tr>
<td>i. Ensure that all data, samples and records obtained from petroleum operations in</td>
</tr>
<tr>
<td>Tanzania jurisdiction are promptly and timely submitted to the respective government</td>
</tr>
<tr>
<td>entity.</td>
</tr>
<tr>
<td>ii. Encourage data acquisition using either speculative survey or oil companies</td>
</tr>
<tr>
<td>before embarking into licensing of frontier areas</td>
</tr>
<tr>
<td>iii. Ensure that all exploration and production data are diligently declassified as</td>
</tr>
<tr>
<td>seems fit for the public interest.</td>
</tr>
</tbody>
</table>

3.1.1.3 **Delineation, Discovery, Evaluation, Development, Production and Decommissioning**

**Issue**

*Optimal extraction of petroleum resources and decommissioning of installations*

The nation’s interest requires optimal extraction of petroleum resources both in terms of costs and ultimate resource recovery. It is therefore important that the government is promptly informed once a discovery is made, of the ideas and solutions developed by operators for the further delineation of discoveries, the assessment of their commerciality, the development of fields and/or infrastructure and the decommissioning of installations. This will enable the government to take the necessary timely steps to protect the national interests with minimum interruption to operations.
Aspects that need to be considered for the purpose of regulation and administration include: discovery, evaluation and delineation; monitoring commerciality evaluations; unitization; discussion on field development plan; approval of field development plan (FDP); approval of infrastructural development that ensures overall efficiency for the operations and national utilization; monitoring reservoir performance under-production; tail-end plan approval; approval of decommissioning of installations; and end-production and decommissioning.

**Objective**

*To ensure optimal development of all commercially promising discoveries and effective decommissioning solutions.*

**Policy Statements**

<table>
<thead>
<tr>
<th>Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that all discoveries are announced by the Government upon receiving and verifying necessary information from the license holder.</td>
</tr>
<tr>
<td>ii. Establish and implement mechanisms for monitoring the evaluations made by right holders on the commerciality of discoveries.</td>
</tr>
<tr>
<td>iii. Ensure that fields that straddle several licenses are developed in a coordinated manner that maximizes the economic value.</td>
</tr>
<tr>
<td>iv. Ensure that best solutions for field development, optimal [appropriate] plans for field depletion and effective decommissioning are in place.</td>
</tr>
<tr>
<td>v. Ensure that ways and means of maintaining field production and enhancing petroleum resource recovery are pursued proactively throughout resource extraction.</td>
</tr>
</tbody>
</table>

**3.1.1.4 Midstream and Downstream**

**Issue**

*Development of mid and downstream infrastructures and reliability and security of petroleum supply to the domestic market.*

The Mid and downstream activities are governed by the Petroleum Act. 2008. This sub-sector legislation gives mandate to Energy and Water utilities Regulatory Authority (EWURA) to regulate these segments of the value creation chain both technically and economically. Tanzania Bureau of Standard (TBS) is responsible for the establishment of petroleum products standard. SUMATRA is responsible for among others regulating economics, safety and security of marine and surface transportation.

Midstream and downstream activities involve the processes that petroleum undergoes after production (transportation, refining and marketing) and the
uses of petroleum and its products. These activities, though less risky compared to upstream activities, can be of great significance in the socio-economic development.

Since the closure of the refinery (TIPER) in 2000, Tanzania imports petroleum products for domestic consumption. It is possible that in case of crude oil discovery, petroleum midstream and downstream activities will play important roles for the earlier achievement of Tanzanian’s developmental goals and agenda for poverty reduction and the attainment of middle-income status by the year 2025.

Midstream and downstream aspects that need proper guidance by the government in order to ensure availability, reliability and security of petroleum supplies to the domestic market, affordability of the same to the end user and added value to the country economy include: Transportation of crude oil; refinement of crude oil; sales and pricing of crude oil; industrial use of petroleum; importation of petroleum products; quality of petroleum products; products marketing, distribution and storage; tariffs for use of mid- and downstream infrastructures; and technical and economic regulations of downstream operations.

**Objective**

To ensure availability of reliable and affordable supplies of petroleum and petroleum products to the domestic market and their use in a sustainable manner.

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that domestic market demand for petroleum is given preferential treatment.</td>
</tr>
<tr>
<td>ii. Promote the use of petroleum as a stimulus for social - economic development while considering optimal energy mix.</td>
</tr>
<tr>
<td>iii. Ensure appropriate pricing structure for crude oil and petroleum products.</td>
</tr>
<tr>
<td>iv. Ensure that importation of petroleum products in the country is effectively and efficiently coordinated.</td>
</tr>
<tr>
<td>v. Ensure reliability and availability of quality petroleum products throughout the country.</td>
</tr>
<tr>
<td>vi. Ensure optimal development of the mid and downstream infrastructures and their accessibility to a third party.</td>
</tr>
</tbody>
</table>
3.1.2 CROSS-CUTTING ISSUES

3.1.2.1 Petroleum Resource Management

Issues

Establishment of the country’s petroleum resource base so as to facilitate short, medium and long term planning for the sub-sector.

Proper and continual assessment of the country’s petroleum resource potential is a vital basis for government evaluation and ultimately decisions on future licensing as well as proposals on field development, transport, liquefaction and export facilities.

The continual resource assessment will ensure that petroleum resources are prudently and efficiently managed including reducing costs and maintaining optimal levels of productivity and recovery.

Successful management of these finite resources will therefore require putting in place the following: mechanisms for administering, monitoring and continued evaluation of production levels; establishing appropriate linkages with other sectors of the economy to avoid the Dutch Diseases and the Resource curse; and the establishment and continued updating of a licensing strategy for regulating the pace of activities.

Objective

To establish and efficiently manage the country’s petroleum resource potential.

Policy Statements

The Government shall:

i. Ensure that the country’s petroleum resource base and licensing strategy are established and continually updated.

ii. Ensure that the pace of resource exploration and exploitation is carefully planned and in pace with the capacity to manage the petroleum resources.

iii. Ensure that the highest possible recovery of petroleum resources is achieved during production within limits of economic viability and technical feasibility agreed to by Tanzania authorities in consultation with the right-holders.

iv. Cause petroleum companies operating in the country to optimize production as well as

v. Utilize the best available technology and field practices.
3.1.2.2 Petroleum Revenue Management

Issue

Managing collection and utilisation of petroleum revenue for the lasting benefits to the citizens.

Tanzania is actively exploring for oil and gas. In the years between 2010 and 2013, relatively large gas discoveries have been made. These discoveries may result in large revenues and form a major source of income to the nation. The same applies in case of oil discoveries. However, revenue from oil discoveries are normally realized relatively early compared to that from natural gas. If sudden large revenues from oil and gas are not properly managed, they are likely to become a curse instead of a blessing. Successful management of these revenues will therefore require proper guidance by the government on: mechanisms of governance that will mitigate pressures for rapid spending of revenues as well as preclude rent-seeking temptations; fiscal management to mitigate effects of revenue volatility arising from changes in production levels or from major fluctuations in global oil prices; mechanisms for economic diversification and sustainable non-oil development; and finally proper linkages between petroleum revenue spending and the development of other sectors.

Objective

To effectively and efficiently use the petroleum revenue as catalyst for the sustainable growth of the national economy.

Policy statements

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Establish by law a Petroleum Revenue Fund(s) as means of effective petroleum revenue management.</td>
</tr>
<tr>
<td>ii. Ensure that the development of the petroleum sub-sector and the use of revenues generated are closely linked with the country's National Development Plans (NDPs).</td>
</tr>
<tr>
<td>iii. Ensure that the local communities receive a fair share of benefit from revenues emanating from petroleum operations in the outskirt of their respective localities.</td>
</tr>
</tbody>
</table>

3.1.2.3 Fiscal Framework

Issue

Fiscal framework that provides the right reward to the nation and industry.

Sustaining appropriate levels of petroleum exploration and development activities requires a predictable and efficient fiscal framework. This framework should provide a right reward to the state and the industry
whilst avoiding undue speculation, promoting healthy competition and sustainable development of the subsector.

**Objective**

*To capture as much economic rent as possible to the government while assuring investors timely recovery of costs and an appropriate share of profit commensurate with the level of risks undertaken.*

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that an appropriate and predictable fiscal framework for the petroleum upstream subsector is established.</td>
</tr>
<tr>
<td>ii. Ensure that fiscal terms are included in the legislation except for those terms which need to be negotiated in the contract.</td>
</tr>
<tr>
<td>iii. Ensure that adequate competence on petroleum upstream revenue collection and administration is developed within the tax collection institution(s).</td>
</tr>
<tr>
<td>iv. Ensure that misreporting practices and transfer pricing abuses are avoided as appropriate to maximize government revenue.</td>
</tr>
</tbody>
</table>

**3.1.2.4 Local Content and Capacity Building**

**Issue**

*Participation of Tanzania nationals in petroleum upstream operations in terms of provision of service and expertise in petroleum exploration and development ventures.*

The increase of petroleum upstream activities in the country, calls for putting in place a capacity building strategy as soon as possible. Such a strategy will have to be based on various assumptions regarding future manpower requirements in the petroleum upstream sub-sector in Tanzania including those within government institutions and on the competition within the regional and international labour market.

National participation in the petroleum value creation chain including providing goods and services to petroleum operations is an important factor in enhancing competency and assisting the authorities in monitoring performance and governing the sector. The government recognizes that there are costs associated with attaining national participation due to inadequate financial, human and technological resources in the country in comparison to the risks associated with petroleum exploration and development. A balance between the two is therefore needed in order to promote the right kind, timing and level of national participation. These aspects are addressed in detail in **Local Content Policy for Oil and Gas Industry.**
As the petroleum resource base and petroleum operations continue to grow, building local capacities and competencies will lead to a reduction in the foreign currency burden on petroleum operations and will also enhance technological and operational efficiency within the sub-sector.

**Objective**

*To maximize national benefit by promoting local value addition and building local competencies and capacities within and outside the petroleum sub-sector.*

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that training needs assessment is carried out to identify the capacity and competence required to meet expected/planned new development in the petroleum upstream sub-sector.</td>
</tr>
<tr>
<td>ii. Ensure that the existing national education curricula for the education and training institutions in the country are reviewed and upgraded to prepare the necessary local workforce for the growing oil and gas sub-sector in the country.</td>
</tr>
<tr>
<td>iii. Ensure that structured and organized collaboration between the petroleum industry and local institutions specializing in research, studies and training is established.</td>
</tr>
<tr>
<td>iv. Ensure that contractors/operators prepare and implement acceptable succession plans for the transfer of technological know-how and skills relating to petroleum operations.</td>
</tr>
<tr>
<td>v. Encourage local companies to enter in partnerships with international companies as one of the means of acquiring technology transfer and developing competence in Tanzanian companies.</td>
</tr>
<tr>
<td>vi. Ensure that fabrication and manufacturing industries, wherever feasible, are established in the country and that Tanzanian goods and services are given preference in petroleum operations.</td>
</tr>
</tbody>
</table>

**3.1.2.5 Good Governance and Management of Expectations**

**Issues**

- *Transparency, accountability and integrity in managing the petroleum sector.*
- *Timely and proactively dissemination of information to public.*

Access to information is a fundamental right in activities that may positively benefit or negatively impact individuals, communities and society as a whole. Dissemination of information makes the public aware of the developments in the industry. The Government and stakeholders have important roles to play in order to achieve transparency and
accountability to the public as well as eliminating possible elements of corruption in the petroleum sector.

Related to this, the Government has joined the Extractive Industry Transparency Initiative (EITI) to improve transparency and accountability as well as accessing information in relation to revenue accrued from extractive industries. Subsequently, the Government has established Tanzania Extractive Industry Transparency Initiative (TEIT). Through TEIT all exploration companies are required to submit their financial reports for public domain.

The government is also aware and supportive of the 3T initiative (Trade, Tax, and Transparent) as means of creating a win - win situation between the investors and nations - owner of finite natural resources.

The huge natural gas discoveries in offshore Tanzania have increased public expectations and perception that, these discoveries are likely to yield immediate benefits. This situation creates a need to increase awareness on petroleum operations to the public and stakeholders, not least in local communities where petroleum projects and activities are being implemented.

**Objective**

To ensure mutually beneficial relationships between all stakeholders in the development of a desirable petroleum sub-sector for the country.

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that general principles of good governance are highly emphasized and applied in the petroleum sub-sector for the benefit of the nation as a whole.</td>
</tr>
<tr>
<td>ii. Ensure that the public and key stakeholders are regularly provided with accurate and timely information about key developments and consulted on major decisions in the sector by authoritative sources.</td>
</tr>
<tr>
<td>iii. Establish a petroleum centre of excellence and strengthen capacity of the training institutions to impart requisite knowledge skills and innovation to Tanzanians</td>
</tr>
<tr>
<td>iv. Ensure that gender equality is observed as far as possible for all levels of appointments and participation in the sector.</td>
</tr>
</tbody>
</table>

3.1.2.6 **Environment, Health, Safety and Security**

**Issues**

- Integrating environmental key principles into the planning and development of the petroleum operations.
- Management of petroleum activities in a way that secures health and
Safety for personnel as well as protect the working environment and material assets.

Petroleum operations at all stages of the value creation chain may have negative impact socially, economically, environmentally and culturally and may subsequently disrupt livelihoods and the functioning of natural ecosystems if not managed properly. Aside from accidental spills, common issues include physical footprint (especially in sensitive areas such as National Parks, Marine Parks and Games Reserves), operational discharges, emissions of pollutants (including drivers of climate change) and the use of hazardous chemicals and waste production.

While conducting petroleum operations, it is also desirable to consider important aspects such as co-existence with other human activities based on natural resources and pristine environments, including fisheries and tourism. Although it is virtually impossible to eliminate all risks, Disaster Prevention and Response Plans (DRPs) and systems that have been put in place have proven to be important means for reducing the risk of damages to life and property. The DRPs minimize and in some cases eliminate the risks through technical, management or operational solutions.

**Objective**

*To ensure that petroleum activities are performed in a safe and prudent manner that takes care of people, security and conserves the natural environment and biodiversity.*

**Policy Statements**

<table>
<thead>
<tr>
<th>The Government shall:</th>
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<tbody>
<tr>
<td>i. Ensure that petroleum operations are undertaken in a manner that complies with national and international environmental, labour laws, regulations and standards.</td>
</tr>
<tr>
<td>ii. Ensure sector specific environmental and health safety and security regulations are established.</td>
</tr>
<tr>
<td>iii. Ensure that companies engaging in petroleum operations in the country have a management system that prevents accidents from happening and have a contingency and Response Plans for handling accidents.</td>
</tr>
<tr>
<td>iv. Ensure that decommissioning fund is established and petroleum companies/contractor parties assume full financial and operational responsibility for the decommissioning and abandonment of infrastructure as well as the restoration of environmental conditions, to the extent possible, back to their original state.</td>
</tr>
</tbody>
</table>
CHAPTER FOUR

4.1 LEGAL AND REGULATORY FRAMEWORK

The key legal instruments governing petroleum subsector in the country include: Petroleum (Exploration and Production) Act, 1980 (Cap 328, R.E 2002) which governs the petroleum upstream operations; and Petroleum Act, 2008 which governs petroleum downstream operations. These key sector legal instruments are complemented by other laws including Income Tax Act, 2004, Environmental Management Act, 2004, Occupational, Safety and Health Act, 2003, etc.

The rapid growth of the petroleum upstream sub-sector, and huge natural gas discoveries, prompted the need to review and update the key legislation governing petroleum upstream in the light of this policy so as to facilitate its implementation, appropriately capture the recent changes in the industry and prudently manage the exploration, development and exploitation of petroleum in the country.

The provisions that need to be revisited or added in the legislation include the following:

(i) Pre-Licensing Phase
   - Assessment of petroleum potential
   - Assessment of prospects that are Trans-boundary in nature
   - Modalities for acreage award (bidding process)
   - Provision for using MPSA as a basis for negotiation.

(ii) Licensing and exploration phase
   - Review exploration license period
   - Government benefits from all transactions of assets related to in-situ petroleum resources.

(iii) Discovery, Evaluation, Development, Production and Decommissioning phase
   - Provision for announcement of discovery
   - Provision for the mechanisms for monitoring the evaluations of commerciality of discoveries.
   - Review and update the provision for Plan, Development and Operation as a main instrument in resource management.
   - Review and update the provision for mechanism for production tail end and decommissioning including provisions for a decommissioning fund.
   - Provision for a basis for management and control of petroleum production.
   - Provision for a licensing system for transportation, processing and storage.
• Provision for third party access to transportation systems and possibly also to production facilities.
• Provision for coordination and unitization of field developments.
• Provision for a mandatory oil spill fund.

(iv) Provisions for establishment of PUR.
(v) Provision for the clarification of roles and responsibilities of the various institutional entities involved in the petroleum activities (Ministry, regulator, national oil company).
(vi) Review fines and penalty for misconduct or defaulting.
(vii) Provision for the use of explosives in conducting oil and gas activities.
(viii) Transfer of all regulatory provisions from the Model PSA to the petroleum resource management regulations in accordance with modern international petroleum regulatory practice in order to reduce the contractual binding of Tanzania and allowing the greater flexibility for a step-wise development of resource management in the petroleum sector.

CHAPTER FIVE

5.1 INSTITUTIONAL FRAMEWORK

Proper functioning of the petroleum upstream subsector has to be backed-up by an efficient institutional arrangement. The existing institutional framework in the petroleum upstream sub sector faces challenges in terms of management, operational and functional performances. Consequently, a more dedicated and focused institutional framework with a clear division of roles and responsibilities need to be established to address the current challenges for the purposes of efficiently and prudent monitoring and management of the fast growing petroleum upstream sub sector.

5.1.1 Role of the Government

The rapid growth in the petroleum upstream industry in Tanzania requires the involvement of the Government in directing resources and leading all players towards a desired development direction. Therefore, in addition to the traditional roles of facilitation and regulation, the Government shall either directly or indirectly participate by investment in, and ownership of, strategic infrastructures. The role of the Government shall therefore include:-

a) Developing policies, laws, regulations and plans;

b) Attracting foreign direct investment and technology in the sector;

c) Granting, renewing, suspending and cancelling of petroleum exploration, development and production licenses;

d) Approving field development Plans (FDP), infrastructure development
plans, tail end plans and decommissioning plans of installations;

e) Analyzing and disseminating information or issues regarding the petroleum industry;

f) Participating strategically in petroleum investments;

g) Supporting national enterprises and Tanzanians to participate actively in the petroleum upstream industry;

h) Strengthening the capacity of Government’s institutions responsible for the monitoring, evaluation and review of petroleum operations; and

i) Setting targets and monitoring results of petroleum projects and programmes.

5.1.2 National Oil Company

The National Oil Company (NOC) shall have the structure, mandate, mode of governance, control mechanisms, and the financial basis that will ensure the overall national interest. The roles of National Oil Company in the up, mid - and down-stream petroleum activities shall include:

a) Advising the Government on policy issues pertaining to petroleum operations;

b) Participating in strategic petroleum exploration and development projects;

c) Carrying out specialized operations in the petroleum value chain using subsidiary Companies; and

d) Establishing a subsidiary company or companies that will carry out petroleum upstream operations; market petroleum products; develop, own and manage the major infrastructures for up, mid- and down-stream petroleum sub sector, including but not limited to the following:-

   i. The pipeline network from storage facilities to wholesale distribution and end users;

   ii. The refinery facilities; and

   iii. The petroleum storage facilities – either jointly with the producers or on its own.

5.1.3 Regulatory Authority

Under the current legal framework, the petroleum upstream operations are regulated by the government through the Minister for Energy and Minerals and the Commissioner for Energy and Petroleum Affairs while the downstream operations are regulated by EWURA using sector legislation. The rapid increase of petroleum upstream operations and recent gas discoveries, call for the establishment of a focused regulatory body in the upstream segment to regulate and monitor the petroleum
upstream activities in the country. The role of Petroleum Upstream Regulator (PUR) shall include among others:

a) Performing the functions conferred to it by the respective sub sector legislation including monitoring and inspection of the subsector.

b) Ensuring compliance to the law by industry players.

c) Advising the Ministry responsible for Petroleum Affairs on the granting, renewing, suspending and cancelling of petroleum exploration, development and production licenses.

d) Monitoring all phases of petroleum discovery, evaluation and delineation, commercial evaluation of discovery, reservoir performance and production regulation under production to ensure optimal rates for the discovery, commercialisation and recovery of petroleum resources through using the best available technologies and field practices.

e) Advising the government on the proposed field development Plan (FDP), infrastructure development, tail end plan and decommissioning of installations submitted by the operators/contractors.

f) Monitoring and evaluating the efficiency of performance in petroleum upstream activities including that related to levels of investment, cost of services, regularity of outputs and availability of crude oil and natural gas for the domestic supply.

g) Maintaining continued communication and dialogue with all stakeholders in the industry including the public to ensure optimal development of the sub – sector.

h) Facilitating the resolution of complaints and disputes.

i) Co-operating with other regulatory agencies/government authorities (NEMC, OSHA, TRA, etc.) to monitor the sub sector.

j) Managing the national exploration and production (E&P) data base and working diligently towards declassifying as much data as it sees fit for the public interest.

k) Imposing sanctions wherever there is a violation of the regulations.

l) Undertaking the promotion and bidding process of the PSC contracts or other contractual arrangement.

m) Undertaking the administration of PSC contracts or other contractual arrangement.

5.1.4 Private Sector Participation

Private sector players are important in providing substantial capital investment and technologies needed for exploration, development and exploitation of the petroleum resources. The Government will continue to promote and facilitate the country’s private sector participation in the petroleum value chain including Public Private Partnership (PPP).
5.1.5 Academic and Research Institutions

Academic and Research Institutions are important for development of the petroleum industry. Development of the industry has increased the demand for knowledge and skills in Tanzania and their effective deployment in meeting the challenges of the petroleum sector. In order to meet the demand, the Government has taken measures to introduce and expand training facilities in relevant fields in the oil and gas industry. The Government will also promote education, vocational training, research and development in the petroleum industry as well as strengthen recruitment and retention of the human resources required in the industry.

5.1.6 NGOs and Civil Societies

This Policy recognizes the role of NGOs and other civil society organizations in enhancing advocacy, mobilization and dialogue with communities, investors and the Government. These entities will contribute by holding the different players accountable with regard to petroleum activities and collaborate with Government in designing, monitoring and implementing socio-economic programmes related to the petroleum industry.

5.1.7 Media

The role of the media in providing accurate and balanced information on important petroleum industry issues to the public is very important. In this regard, the Government will strengthen collaboration with the media to ensure that information is delivered accurately and timely. This will increase public awareness, transparency and accountability on important aspects pertaining to the petroleum industry.

5.2 MONITORING AND EVALUATION FRAMEWORK

The impending incipience of large hydrocarbon discoveries presents a multitude of opportunities and challenges for Tanzania. This Policy addresses some of the multifaceted issues arising from this development, and recognizes that adjustments will be needed in the current instruments governing the sector to accommodate the demands and impacts of a growing petroleum industry in the country. To the extent that separate programmes, projects, or institutions take on board issues resulting from the petroleum industry, such issues will be integrated in the relevant programme, project, or institution’s Monitoring and Evaluation (M&E) framework. It is also noteworthy that the different stakeholders to the petroleum industry may develop separate M&E frameworks to suit their specific expectations and interests.

The Petroleum Policy M & E Plan shall be developed through a consultative process as part of the Policy Implementation Strategy, and shall outline milestones and key performance indicators. Specifically, the Plan shall be a tool to manage the process of monitoring, to evaluate and report progress towards the objectives, and to serve the following main functions:

(i) Explain in detail how and what the Ministry and other Government institution will (a) monitor to determine whether implementation is on
track to achieve the intended Policy objectives, and (b) evaluate / assess the adequacy of implementation strategies, provide lessons learned, determine cost effectiveness and estimate the impact of individual interventions;

(ii) Include all indicators that must be reported to the stakeholders on regular basis;

(iii) Provide early warning signals about the required development and subsequent change and/or review; and

(iv) Serve as a communication tool, so that all stakeholders clearly understand the objectives being sought through this Policy and Government’s actions emanating thereunder.

5.2.1 Institutional Arrangement for Monitoring and Evaluation System

The institutional framework for monitoring and evaluation consists of the institutional organizational set-up and its environment of operation. It covers the framework for reporting, supporting and coordination systems for monitoring and evaluation.

This Policy has been developed with a primary focus on one main objective: exploring, producing and utilizing the country’s petroleum resources in an effective and efficient manner that ensures lasting benefit to the nation as well as minimize negative impacts to the environment. Its implementation is therefore expected to generate impacts over and beyond those emanating from existing programmes and projects. It is this understanding that underpins the need for a distinct Monitoring and Evaluation (M & E) Framework to be applied in conjunction with this Policy. The framework shall seek to answer the question, “has implementation of the Petroleum Policy met the objectives and benchmarks as outlined in this Policy document?”

The multi-dimensional challenges and opportunities from the emerging petroleum upstream industry require systematic monitoring and evaluation framework for Policy implementation and performance assessment. The monitoring process will generate and supply data and information on the progress made in the implementation processes while evaluation will determine the relevance, effectiveness, efficiency, sustainability and impact of the Policy.

While the main responsibility for monitoring and evaluation framework will be vested in the Ministry responsible for petroleum, a coordination mechanism will be established to allow for multi-stakeholder consultations involving key stakeholders including MDAs (Ministries responsible for finance, law, security, safety and environment), LGAs, Members of Parliament, the Private Sector, NGOs, FBOs, CSOs, CBOs, Media and DPs.

5.2.2 Monitoring and Evaluation Indicators

A list of indicators will be developed to meet information needs of different stakeholders at all levels. They will include measurable, qualitative and
process indicators. They will be reviewed from time to time to meet additional information requirements necessitated by the new developments. More specifically, baseline data will be collected as benchmark of the Policy implementation tracking.

At each particular implementation period, monitoring and evaluation will be undertaken to review the implementation of the strategy. The general objective of evaluation is to determine the relevance, effectiveness and impact of Policy on the social, political and economic development of the country. Both qualitative and quantitative indicators will be analyzed.

5.2.3 Monitoring and Evaluation Tools and Deliverables

The output and deliverables of the Petroleum Policy 2014 will be:

a) Petroleum (Exploration and Production) Act, 1980 updated or New legislation established.
b) Petroleum Upstream Regulations including Petroleum Resource Management, Environmental, HSE and security established
c) New streamlined Model MPSA established
d) TPDC Establishment Order revised.
e) Institutional arrangement within the petroleum upstream subsector restructured.
f) National Oil Company and its subsidiary companies established;
g) Petroleum Upstream Regulator Established
h) Petroleum Revenue Fund Established;
i) Communication Strategy with an interactive element to facilitate ongoing feedback from stakeholders established;
j) Training need Assessment to identify the knowledge that ought to exist as a result of new development in the petroleum upstream sub sector carried out;
k) Human Resources to enable increased local content and for government institutions to attain competent personally developed.
l) Plan and solutions to remunerate government employees in the petroleum sector so as to mitigate their escape to much higher pay schemes in the industry developed
m) Procedure and institutional competencies and capacities in data management systems within the petroleum sector established.
n) Monitoring and Evaluation System output to indicate both progress and update on implementation of the petroleum Policy established;
6.1 WAY FORWARD

This Policy document provides guidance for ensuring that the benefits to Tanzania and Tanzanians from the petroleum value chain are maximized and contribute to the earlier socio-economic development of the country and its citizens. It also forms a comprehensive framework for guiding development of the petroleum industry in the country.

The Government is determined to ensure timely implementation of the Policy with an ultimate goal of improving the quality of life of Tanzanians for many decades to come. This would be achieved through engagement of mechanisms which address both domestic and export markets of petroleum. In the course of implementing the Policy, an integration of the petroleum industry with other socio-economic sectors is considered to be of paramount importance.

This Policy document will be implemented through the following undertakings:


b) Establishing petroleum upstream regulations including Petroleum Resource Management, Environmental and HSE regulations.

c) Restructuring the institutional arrangements.

d) Establishing Petroleum Upstream Regulator (PUR).

e) Carrying out Training needs assessment to identify the knowledge that ought to exist as result of new development in the petroleum upstream sub-sector.

f) Developing human resources to enable increased local content and for government institutions to attain competent personnel.

g) Building institutional competencies and regulatory capacities for petroleum resource management of the upstream petroleum sub-sector.

h) Developing a plan and solutions to remunerate government employees in the petroleum sector so as to mitigate their escape to much higher pay schemes in the industry

i) Activating public and private institutions that can potentially support petroleum activities or contribute to petroleum operation e.g. universities, laboratories, research institutions, roads constructions etc.

j) Establishing strategies and plans for effective communication with communities’ representatives as soon as possible in order to streamline a dialogue that avoids false expectations.

k) Building institutional competencies and regulatory capacities for
management of Health, Safety, Environment and Security (HSE) issues in the upstream petroleum sub-sector.

l) Establishing procedures and institutional competencies and capacities in data management systems within the upstream petroleum sub-sector.

The successful implementation of this Policy calls for participation of all stakeholders including, the Government and its public institutions, companies; the private sector (including oil and gas companies), local communities and the public as a whole. The country’s petroleum resources must contribute significantly to the realization of the objectives of our National Development Vision 2025 whose ultimate goal is to ensure that Tanzania becomes a middle-income country by 2025.

This Policy will be periodically reviewed when need arises.