

**BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE – FEBRUARY 24TH  
2012**

**REVENUES IN THE PIPELINE: HOW CAN TANZANIA BENEFIT FROM OIL AND  
GAS?**

Tanzania is now known to have deposits of oil and gas, and is also endowed with diverse energy sources including coal and geothermal much of which is untapped. However, the policy and legal framework does not adequately govern the exploration and other exploitation activities in the sector. For example, lack of alignment on domestic energy/gas sector developments including inflated domestic market expectations; gas commercialization lacks policy direction like the strategy documents to guide the industry on local content; and Tanzania Petroleum Development Corporation (TPDC) cannot be both gas sector regulator and manager of government's investment.

It is also worth noting that despite Tanzanian's wealth in gas, considering investments in the sector, the sector does not contribute much to the country's economy. This is evident by the fact that a big portion of the population in Tanzania are still living in extreme poverty conditions and also the fact that Tanzania's budget is still so much dependent on aid.

That is why Policy Forum dedicated its February 2012 debate on the issue of oil and gas in Tanzania, The debate is titled: **Revenues in the Pipeline: How can Tanzania benefit from oil and gas?**

The debate included two presentations, one from Silas O'lang, Senior Regional Associate (Africa), Revenue Watch Institute and the other from Cassian Lushinde, Programme Officer of WWF

Followed by critics from the discussant, Mr.Elias Kilembe, Director of TPDC.

The Debate was facilitated by Alex Ruchyahinduru from Policy Forum.

Mr. Silas O'lang was the first presenter of the debate, his presentation based on how Tanzania can benefit from oil and gas.

He started his presentation by saying that oil and gas can generate more other benefits than the other revenues for the countries that are endowed with these resources however it is unfortunate that most producing countries such as Africa receive inadequate share of rents.

He said, Tanzania has so far made four discoveries of natural gas fields namely, Songo Songo Island, Mnazi Bay, Mkuranga and Kiliwani North but currently it is only Songo songo and Mnazi Bay which are producing.

He continued to mention the wish lists of Tanzania basing on this sector, just to mention a few as: Maximizing the government take, increasing state/local participation, minimizing risks, increasing local content, encouraging further exploration of the sector, job creation and skills development. In order to do

this there should be effective laws and regulations in place i.e when you have an outdated law it will provide room for misuse of the resources making the country not to benefit from them therefore it is very important to reflect whether the existing laws and contracts are made in a way that makes the country to benefit from its resources.

He continued to say that, a country is likely to get a big portion of the share if the activities in this sector are made to grow, having a fiscal framework that provides for predictability, smart state participation.

He further said, revenues spent on these resources have to be spent very strategically in the sense that mechanisms are kept in a way that stabilizes the governments spending on these resources. When the revenues in these resources flow in a country which is affected by local currency fluctuation this is likely to affect other resources.

He added that, we need to have a framework that will promote effective accountability in these resources and that will fight corruption.

He said, these resources need to be utilized in a way that realizes the vision 2025 goals /MKUKUTA.

He said for this sector to grow there needs to be good investments in infrastructure, education and health.

He further said, Tanzania did not inherit these resources from forefathers but borrowed them so we have to use them in a way that will benefit the future generations (sustainably used).

He suggested the way forward as, need for critical public debate on the current government policies, laws and regulations governing oil and gas resources critically assess institutional capacity to regulate the sector and administer revenue collection and spending, build political consensus around the need for reforms to revenue and expenditure policies.

In a nutshell, he ended by saying Tanzania can benefit from oil and gas by making the right and strategic policy choices, fiscal prudence and active citizens engagement.

Mr. Cassian who was the second presenter based his presentation on the environmental impacts.

He started by saying, developing oil and gas is a really good thing but in Tanzania there is no enough transparency because people at the local level do not fully engage making the communications between the local people and the investors to be not good.

He said that, the activities carried out in these resources should preserve/conservethe environment.

He continued to say that most of the coastal areas are affected by the activities that are carried out by these resources, he suggested that there should be strategic areas in the coastal area that are set out to carry these activities.

He said that, compliance certificates, which are issued to private companies upon approving Environmental Impact Assessment, should be made accessible to CSOs, local communities, local governments to enable better compliance monitoring and report to lead environmental agency/authority (NEMC).

He concluded by saying that, there should be an urgent need to strengthen gas policy, legal and institutional framework.

The discussant of the event was Mr. Elias Kilembe, Director of TPDC, who started by saying that, so far there are seven discoveries of gas but its only few that are producing.

He said, since the industry in Tanzania is very young there is a need of a policy that will put everything in place for instance deep sea and shore drilling.

He gave an example of Mtwara where most of the deep sea drilling is done but it is very unfortunate that there is scarcity of accommodation in such an area.

He concluded by saying that, the changes that were made to the Petroleum Act that we are using were only by putting it into chapters but the content is still the same, There is a need of revising this law. He also added that, this industry is currently foreign dominated there is need of the local people being involved.

The Facilitator gave a special opportunity for Honorable Zitto Kabwe (MP) to give out his comments on the topic.

Honorable Zitto said, it is very clear that we will be a major gas exporter probably in 2016. The question is are we prepared?

He continued to say that, it is very unfortunate that so far the government hasn't moved a step towards this.

He further said, there are still hopes because recently the government has written a letter to IMF which reflects key issues in the sector.

He added that, CSO's should push for these issues.

He continued to say that, the gas master plan is not put in place, it is only the Petroleum Supplies Act that was amended.

He stressed that, Tanzania has very limited skills in this sector. Most of the TPDC staffs are about to retire and there is no young people skilled in this to take over. He concluded by saying that, there is a need of TPDC to be independent like other institutions such as TANESCO.

### **Comments and Questions from Plenary Discussion:**

- There is a need of a consultant to evaluate TPDC so that they could come up with a way forward.
- Most of the institutions governing oil and gas are foreign oriented.
- Tanzania is very lucky that it has started with gas though there is oil already in parts of Mtwara.
- Doesn't it seem like the government's role in this sector is like a facilitator/shareholder?
- There are very strategic issues that need to be addressed if they want to influence these process
- There is a question of mindset of what happens to corrupt people for instance in Nigeria most of the corruption happens in the gas sector.
- It has to be noted that the resource belongs to the state and not an individual or ministry.
- Tanzania needs to be ready with the challenges that it will face, there is a need of a strong regulatory framework.
- To what extent are the local industries/companies involved in the sector.

### **Respond to the comments and Questions:**

- Companies are now looking for gas. TPDC is certain that there is no oil.
- The issue of mindset mentioned clearly goes back to the national values.
- Having a legal framework with clarity is a prerequisite
- Tanzania as a country has an opportunity this year to use the constitution making process strategically by prioritizing the country's priority sectors or to put in place in its vision.
- Very soon we will have a guideline which will guide investors in terms of not damaging the environment.

Mr. Alex Ruchyhinduru closed the discussion and he welcomed again participants for the next 7:30 Breakfast Debate.