

BRIEF REPORT OF THE BREAKFAST DEBATE

HELD ON: 26TH JUNE 2015

VENUE: BRITISH COUNCIL

LOCAL CONTENT IN TANZANIA'S GAS INDUSTRY: WHAT CAN CITIZENS HOPE FOR?

The ongoing discoveries of oil and gas in Tanzania go hand in hand with increased expectation from the local population that there will be improved livelihood. The Local Content Policy of Tanzania for Oil and Gas industry of 2014 requires delivering local benefits to the communities where oil and gas companies operate; this is no longer an option. It is a commercial necessity and one that is increasingly mandated by law in many countries. It however stands to question on how to ensure the effective implementation of the policy and participation of local people in the industry.

This is why Policy Forum dedicated its July 2015 debate to the issue of Tanzanian Local Content in the Gas Sector. The debate is titled: **"Local Content in Tanzania's Gas Industry: what can citizens hope for?"**

The main presentations were made by **Neema Apson, Local Content Responsible at the Ministry of Energy and Minerals** and **Hugh Penrhyn Jones, Head of Commercial at British Gas-Tanzania.**

The Debate was facilitated by Mr. Nicholas Lekule from the Policy Forum Secretariat.

Mr Hugh Penrhyn Jones presented on Tanzania LNG Local Content and started his presentation by providing an overview of the Tanzania LNG project showing attendees the BG and Statoil blocks. He also stated that the country has several world class gas discoveries and while still at the exploration phase, the project is a very exciting one with production offshore (deep water gas). After gas is onshore a percentage of the gas goes in to feed the Tanzanian market LNG plant where gas is liquefied and sold on the international markets as internal market is not big enough.

He went on to explain the key components of the BG Group approach asserting that it was imperative for the BG group to be a responsible investor coming in as a good guest and establishing long term partnership and relationship with government , community and the people of Tanzania .

A reasonable return on their investment and managing shareholders expectations on how to benefit the host country are also key to BG approach, as such the company is always looking for ways to support the local community and content, he said.

There exist many indirect and direct benefits for Tanzanians. The listed key benefits included;

- Revenue for the partnership share agreement clearly states that the government gets the larger share of revenue from gas,
- The use of as many local contractors in all phases of their operations as long as they can supply quality goods and services ,
- Employment of Tanzanians. However, he notes that employment is only temporary as after the initial construction phases, the process becomes mechanized and thus it does not guarantee stable employment.
- Domestic market growth particularly the LNG based market that would supply establishment of gas to power stations and gas based projects and in turn results into increased industries, employment, businesses etc.
- Growth of infrastructure over time such as the upgrading of ports.

Challenges to be tackled include availability of skilled labour as they require a certain level of expertise across positions but current Tanzanian pool is not as large and there is competition for it, the capacity of suppliers (quality, quantity, frequency), compliance to international standards on quality of construction, HSSE standards; safety and environment that is high on their agenda (suppliers and contractors must meet these standards too) and financing challenges.

In wrapping up, he took attendees through the workforce development strategy and social performance and capacity building initiatives, supplier development strategy and local contract analysis showing in detail BG's commitment to local content. The capability building initiatives undertaken of potential Tanzanian staff includes vocational training at school levels, VETA (technical training), scholarships for University students.

Mr Hugh Penrhyn Jones concluded by reiterating that BG is committed to supporting local content in Tanzania and that they cannot do all this alone , closing his presentation by calling out for involvement and partnerships between IOCs, Government and Private Sector and a general invitation to all to approach BG on various opportunities available such as training, services and contracting.

Ms. Neema Apson indicated that from 2010 there have been huge discoveries of gas offshore and currently there are about 55 TCF. Ms. Neema Apson also stated that there is a huge expectation of economic turnaround by Tanzania and the government plans to ensure best practice of local content in the country. She proceeded to give examples of countries that have adopted local content policies such as Brazil, Kazakhstan, Trinidad, Indonesia and Nigeria. The lessons learned from these countries such as Nigeria do not go unnoticed and Tanzania plans to ensure that the nation does not fall prey to the resource curse.

Noting that there is significantly low Tanzania participation as most contractors are being imported, Ms. Neema Apson stated this as something that guides local content to a larger extent and proceeded to highlight core agenda of the policy. She stated that they were currently working on publishing and sharing the Local Content Strategy and the ministry will be setting up a local content unit responsible for development, management and overall implementation of local content.

The highlight of the formulization of Utilization master plan will be providing guidance on economic and technical viability of gas utilisation in both domestic and international markets. To conclude, Ms. Neema stated that ministry of energy and minerals has a series of planned activities establishing local content unity, local content implementation and communication strategy and to have local content regulations and to close her discussion, Ms Neema Apson also called on stakeholder participation to ensure local content will be achieved and implemented.

Plenary Discussion and comments

- What is the role that regional organizations such as EAC have in producing gas in Tanzania?
- What mechanisms are there in place to do monitoring and evaluation? Specific time frame How do we avoid shelved policies
- What communication strategy is in place from both BG and government to reach the local community?
- What checks are in place to ensure protection of the environment?
- How long will it take for percentage of revenue to come back to government after invested costs are recovered?
- How are they planning to control over expectation of local masses to avoid reactions such as the Mtwara riots?
- How is government taking into account energy supply to the communities?
- How do they plan to balance out labour profile and what about the elderly?
- Whereas BG is fully committed to local content what control does it have on EPC contractors and sub-contractors?
- There needs to be government partnership so as to agree on local content with investors. This is an opportunity to learn from each other on what we've meant to do.
- In regards to domestic utilization volumes of gas increasing over time, utilization of gas for local government.
- Need for various stakeholders to pitch in at different levels to ensure effective communication and implementation such as CSO's educating the masses on the realities of local content and in turn managing expectations.
- To monitor, the company states there is a need to have a comprehensive dialogue with government to set out parameters. The development plan to be approved by the Ministry of Energy should cover this and need for ongoing dialogue with the government on the whole topic.
- Government getting share from day one and this will increase over time even though BG is not sure how long it will take to recover their costs (estimated 4-5 years).
- The necessity for BG to comply with HSSE standards ensures that exploration and extraction is environmentally friendly.
- Participation of host community is key and central to the abilities of BG.
- Government prioritizes domestic utilization and participation of host community in oil and gas activities.
- The government is in the process of out the local content implementation strategy that covers regulations, monitoring and evaluation and communication.

- Local content and NEMC cover environment issues.
- The government plans to publish key summaries of what they plan to do in the next 6 months July and August that constitute framework for co-operation.
- More media activities and meetings with stakeholders on local content to educate individuals on how they can benefit from gas.
- To reach scale of labour profile, stakeholder participation is needed.
- Supply and development programme with MEM addresses issues of how elderly that are active can benefit from projects and on social aspects investment in health that should benefit society.
- Joint communication strategy in works with MEM to deal with expectations, community knows where to reach BG and STATOIL on grievances.
- Safety is key to BG for example they have provided oil spill response equipment at Mnazi bay even though not involved with oil
- Contractual obligations with contractors to ensure compliance of contractors.

Mr Nicholas Lekule thanked the presenters and participants and closed the debate.