

ANALYSING THE DRAFT GAS POLICY: THE TANZANIA CSO EXTRACTIVE INDUSTRY WORKING GROUP POSITION

Following the significant discovery of natural gas in Tanzania, the government embarked on developing the policy and legal framework to govern exploration and production, transportation and distribution of natural gas among others. To that end, in November 2012, the Ministry of energy and minerals released a draft natural gas policy for public consultation.

We, the undersigned CSO networks met on the 5th November 2012 to discuss and analyze the draft policy with the aim of providing inputs for improvement of the draft policy with national interests at the fore.

COMMEND the government for its efforts and determination to manage the resource effectively and strategically for public good.

UNDERScore the fact that, in the overall, the policy has many positive aspects to ensure national interests are being pursued.

OBSERVE that, to some extent, such good intentions may easily turn into pitfalls especially where strong state monopoly prevails which seems to be the thrust of the draft policy. It is important to ensure strategic and efficient state participation while being cautious of inefficiencies inherent in state monopoly that may undermine resource development and affordability of such an important source of energy to ordinary citizens.

CONCERNED about narrow focusing on natural gas subsector instead of looking at the larger petroleum sector. It should be noted that the Petroleum sector does not have a specific policy document setting premises for a legal framework. The sector as a whole has many policy, legal, regulatory and institutional challenges that need to be addressed in their totality. The Petroleum (Exploration and Production) Act of 1980 is outdated and it is not best placed to address the new challenges and dynamics of the sector especially when it comes to managing relationships with Multinational companies who are the main operators in the petroleum sector in general and natural gas subsector in particular. This fact is partly acknowledged in the draft policy document section 4.1.

3.1.1. Upstream Activities

Concern:

Missing links between up-mid-downstream; it should be noted that there is a strong link between the three levels of operation. The draft policy correctly points that natural gas upstream activities shall be addressed extensively by the Petroleum Policy. The implication is that upstream will have to necessarily align with midstream policy, otherwise, should the upstream policy contradict midstream or discourage investment upstream, the risk is that midstream operations could be hampered.

Recommendation: The government should consider developing a comprehensive petroleum policy incorporating both oil and gas at all stages i.e. up-mid and downstream.

3.1.2. Midstream and Downstream Activities

A. Natural Gas Infrastructure

Concern: While we recognize the need for strategic state participation on the subsector; it is not clear as to where the state monopoly will start and end.

Recommendations:

- * It is our opinion that Government participation should be strategically placed in building infrastructure at both upstream and midstream levels.
- * The role of the government and TPDC should be clarified in mid and downstream operations,
- * Downstream activities should be left to national private sector or combined Public Private Partnerships.

B. Natural Gas for Domestic Market

Concern: While appreciating the focus on domestic market; it is not clear whether this focus is backed by medium to long term energy demand and supply forecast.

Recommendations:

- * There is need for updated energy system analysis and planning to know national energy supply and consumption patterns. This will help the nation to determine what pushes demand and supply in the local and regional market as well as spending power of the end users.
- * Link the sector with the country's industrialization and technology advancement.
- * Midstream activities should be administered in a way that promotes the development of onshore facilities near the areas where petroleum activities take place in order to increase employment, infrastructure and social services

C. Liquefied Natural Gas (LNG) Business

- * While this may be more of a strategy than a policy, the expected Natural Gas Master Plan, should effectively address this aspect and strike a better balance for economic efficiency. The government should rethink how it will participate in this business and if possible strike a balance in involving private companies as it involves huge capital

3.2.3 Management of the environment

Concern: The document is fairly weak on environmental management aspects.

Recommendations:

- * The policy should make strategic environmental and social impact assessment and oil and Gas spill contingency plan a mandatory requirement.
- * Insist involvement of communities and local government in environmental monitoring in their areas.

3.1.3 Management of Natural gas Revenues

Concern:

The proposal to establish specific fund is a great idea and will enable preferential treatment (ring-fencing) of Natural gas revenues. Our concern is threefold:

- the policy issues properly address the concern for future generations; however, there is no policy statement in this regard.
- the name presupposes that it is unlikely to discover oil.
- the policy suggests that such revenues will primarily be ploughed back into the subsector to develop Natural Gas Industry.

Recommendation:

- * Make a policy statement regarding saving part of the revenues for future generation.
- * The fund should read Petroleum Revenue Fund and should include funds from Natural Gas and Oil (if discovery is made).
- * We suggest that the fund be directed in diversifying the economy by investing in other strategic sector particularly infrastructure, human resource, technology and industrialization to reduce overdependence on finite and volatile natural resource.

1.1.4 Natural Gas Pricing

Concern: Since there is no global market mechanism that sets prices on gas as for oil, the price must be negotiated along some recognized flexible real time pricing principles. This is an area already regulated by EWURA, there is a danger of conflicting structures and laws if not mainstreamed within existing systems.

Recommendation: The Policy should be clear to ascertain roles and institutional capacity and reorganization if need be.

3.1.6. Linkages with other strategic sector

Concern: While the policy rightly emphasize sectorial linkages, unless the government develops a well thought through strategy to do so, it is unlikely to happen. It is our hope that the Natural Gas Master Plan will address this aspect effectively e.g. fertilizers from residue to boost Agriculture, Human resource sector.

4.0 Legal and Regulatory Framework

4.1 (iii): Concern: The policy suggests establishment of natural regulatory authority; we note the risk of proliferation of institutions that may overwhelm revenue generated (increased financial burden) and human resource to sustain the institutions.

Recommendation:

- * The policy should consider single regulatory Authority for up-mid and downstream for both Natural Gas and Oil.

5.1.1 (v)

Concern: The policy suggests establishment of targets but not clear what kind of targets these are.

Recommendation: Provide better clarity.

5.1.6: NGOs/CSO

Concern: The draft policy makes a difference between Civil Society and NGOs while in essence, NGOs are part of broader civil society. Moreover, the draft policy suggests that Civil Society should dialogue with communities only; thus, excluding government and private sector at national level. This is rather contradictory as the same policy acknowledges the advocacy role of Civil Society which by and large engages at the national level.

Recommendation: Broaden the scope of dialogue to include national players (state and companies).

5.1.2: National Oil and Gas Company (NOC)

Concern: The policy suggests that the NOC will take new roles and responsibilities without clarifying the nature of these responsibilities. The industry practice is that NOCs undertake commercial functions separate from regulatory. The document further suggests that TPDC role in the mid to downstream will be purely commercial which suggests that TPDC is the same as a NOC. Section 3.1.8 (ii) however, suggests that Companies submit credible Corporate Social Responsibility action plans to NOC which constitutes a regulatory function.

Recommendation:

- * Maintain consistency in the use of NOC and TPDC to avoid possible confusion
- * Clarify which institution will play a regulatory function.



OIL & NATURAL GAS ENVIRONMENTAL ALLIANCE
(ONGEA)

The Inter-Faith Standing
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