

Update

Tanzania Bill establishing the Petroleum Act 2015

Highlighted in this month's energy briefing is the new Petroleum Act 2015 Bill supplement (the **Bill**) related to upstream, midstream and downstream petroleum activities.

It should be noted that the Bill is currently being debated in Parliament, and any comments in this briefing relate to the version of the Bill available on the Parliament of Tanzania website on 19 June 2015.

This briefing does not include a detailed analysis of the fiscal provisions of the Bill. Our tax team will provide a further briefing on tax aspects in due course.

Background

The energy sector in Tanzania has historically had two key items of legislation, namely:

1. The Petroleum Exploration and Production Act 1980 (**PEPA**)
2. The Petroleum Act 2008 (**PA 2008**)

PEPA dealt with upstream petroleum matters, specifically as they relate to 'petroleum' including oil and gas. PA 2008 dealt with downstream petroleum matters.

The Government of Tanzania (**GoT**) has long intended to update both items of legislation. There was also recognition of a lack of legislation regulating anticipated midstream activities.

The market has been eagerly anticipating the publication of a '**Gas Act**' which would regulate midstream activities. Rather than publish a stand-alone Gas Act, GoT has opted to amalgamated updates to PEPA, PA 2008 and the introduction of a Gas Act into one item of new legislation

contained in the Bill, namely the Petroleum Act 2015 (**PA 2015**).

The purpose of this briefing is to analyse certain key elements of PA 2015. We also include at the schedule to this briefing a table of key changes between PEPA and PA 2015 and PA 2008 and PA 2015.

New institutions

Oil and Gas Bureau

Section 7 of PA 2015 establishes an Oil and Gas Bureau within the Office of the President in order to advise the Cabinet on strategic matters relating to the oil and gas economy. The market is likely to be encouraged by this move in the hope that specialists in the field of oil and gas will be able to guide GoT institutions on the commercial aspects of their interaction with the private sector.

National oil company

Section 8 of PA 2015 designates Tanzania Petroleum Development Company (**TPDC**) as the official National Oil Company (**NOC**). PEPA was

occasionally silent on the role of TPDC who in practice were involved in fairly extensive activities. For example, TPDC would essentially hold a licence on behalf of international oil companies (**IoC**) and had an integral role at all levels and interface with GoT.

PA 2015 is more explicit about the role of TPDC and sets out several functions at section 10 of PA 2015. Of note, the NOC will participate in petroleum reconnaissance and the development of projects. This is a more involved role than previously undertaken and impacts from project inception onwards. Furthermore, the NOC will 'aggregate natural gas, own and operate major gas infrastructure on its own or through its subsidiaries.'

Section 8(3) of PA 2015 states that the NOC may form a number of subsidiaries to carry out specific petroleum operations or related activities. We are therefore likely to see several NOC project companies on specific projects.

In summary, the NOC is designed to deal with GoT commercial participation on projects.

Petroleum upstream regulatory authority

Section 12 of PA 2015 establishes a Petroleum Upstream Regulatory Authority (**PURA**). PURA will be a body corporate with its own legal personality. It has several functions, however of note, it will advise the Minister of Energy and Minerals (the Minister) on negotiations of production sharing agreements (**PSA**) and other contracts with IoCs. PURA will also be responsible for implementing local content in the petroleum sector. PURA will be responsible for processing, granting, renewing, suspending and cancelling exploration, development and production licences. In the nature of a regulator, PURA will also be responsible for facilitating resolution of complaints and disputes.

PURA will have a Board consisting of five (5) Tanzanian citizens from relevant fields. Two key members of the Board are appointed by the President on the recommendation of the Minister, the Chairman and the Director General, the latter shall also be the Secretary to the Board. The Director General has a term of office of five (5) years which may be renewed for a further five (5) years.

The other members of the Board are appointed by the Minister on the recommendation of a Nominations Committee consisting of representatives of various ministries (see section 28).

New role for EWURA

The Energy and Water Utilities Regulatory Authority (**EWURA**) shall be the regulator of midstream and downstream activities. EWURA has a wide ranging role. Notable functions include the issue, renewal, suspension and cancellation of construction approvals and operational licences, the collection of fees and levies for the petroleum sector in accordance with the EWURA Act. Finally, EWURA will approve applications for tariffs and prices.

Further functions of interest are the emphasis on local content. EWURA will promote the use of local goods and services produced and provided in Tanzania. It will also promote the 'maximum participation of Tanzanians in every part of the petroleum value chain'. Local content will clearly be an important issue in the coming years. A local content policy was issued some months ago which was to be followed by a Local Content Act of Parliament. We are yet to see a draft of this legislation and examine how it will interact with the provisions of the Bill.

Upstream activities

Management of petroleum areas

Section 33(1) of PA 2015 states that PURA shall keep a reference map (which can be amended from time to time) of all potential 'blocks'. The map shall be available at PURA offices and on PURA's website. A decision to open an area for petroleum activities is made by the Minister upon approval by the Cabinet. A recurring theme throughout PA 2015 is the explicit involvement of the Cabinet in decision making in petroleum affairs.

It's important to note that there is now a consultation period of sixty (60) days for interested parties to object to the opening up of new areas (section 34(6)).

Reconnaissance permits

Reconnaissance Permits did not exist under PEPA. Section 35 of PA 2015 provides for a new form of permit for when a company wishes to carry out reconnaissance surveys. Reconnaissance permits are non-exclusive and multiple permits may be issued to different parties for the same area. A reconnaissance permit shall allow shallow drilling for data calibration purposes.

The data and information gathered under a reconnaissance permit shall belong to the GoT, notwithstanding the right of the permit holder and PURA to use the information gathered.

Reconnaissance Permits may be granted for three (3) year periods. PURA may grant them within ninety (90) days of application. It's important to note that both local or foreign entities can apply for Reconnaissance Permits as PA 2015 only refers to 'A Person' at section 35.

Exclusive rights conferred on NOC

Section 45 of PA 2015 grants the NOC the exclusive right to be granted petroleum rights including licences. Such licences are not transferrable. Private sector participants must partner with the NOC which shall retain a 25% interest in any joint venture vehicle. It is important to note that either Tanzanian or foreign entities may enter into partnership with the NOC (see section 45(4)). This is a useful clarification which was not entirely apparent in the previous drafting under PEPA.

PA 2015 also acknowledges that two or more participants may apply jointly for a block. Section 47(1) requires the provision of a co-operation agreement. A further reference to Cabinet approval is made at section 48(2) where the Minister is not allowed to enter into an agreement without the prior approval of the Cabinet.

It is worth discussing the difference between section 14 of PEPA and section 48 of PA 2015. Section 14 of PEPA was the manner in which GoT (through the Minister) entered into PSAs with IoCs. It was a broadly drafted provision which has now been narrowed and tightened under PA 2015.

Section 48 of PA 2015 provides that the Minister may, having taken advice from PURA, enter into an agreement with the joint venture vehicle in respect of the granting of a licence, the conditions of that licence and any other related matter.

However, any such agreement must be approved by the Cabinet. The Cabinet are to be assisted in their deliberations by a model production sharing agreement (PSA), which shall be produced by PURA. The effect of this centralisation of approvals through the Cabinet is that the Minister must at all times involve central government. It remains to be seen whether this will slow down processes.

Procurement process for petroleum rights

One area of PA 2015 which is not entirely clear in the current drafting is the procurement process for petroleum rights. In simple terms, how will a private sector party be able to apply for a block? The best case scenario for a private sector party is clearly to have direct dealings with GoT without the need for competitive tendering, however how does the legislation work?

There appear to be two (2) tendering processes. The first one is a partnership with the NOC. We know that the licence will be held by the NOC, however at section 45(4) it states that 'The National Oil Company may, subject to the Minister's consent and on the advice of PURA, enter into partnership with a Tanzanian or a foreign entity *through an open tendering process or direct award of a block*'. So it follows that the NOC has discretion as to tender or directly partner. The issue relates to the words 'direct award of a block'. Does this mean the relevant licence associated with the block?

The second potential procurement process appears to be related to the entry into Petroleum agreements, including PSAs. Section 49(1) of PA 2015 states that petroleum agreements shall not be entered into unless a transparent competitive tendering process is completed. The only exception to this is where a competitive process has failed and it is in the public interest, then direct negotiations can be initiated. The concern here is the potential mismatch between section 45(4) and 49(1) of PA 2015.

Reservation of blocks

Section 51(1) states that the Minister may reserve a block or directly award a block to the NOC. It is yet to be seen how such exclusive, reserved blocks will operate. Will they for example be reserved for entities from certain countries with

particular bi-lateral relations with Tanzania?

Exploration licences

The NOC applies for exploration licences under section 52 of PA 2015. The application shall be in respect of not more than forty (40) blocks. The Minister may increase this number to no more than eighty (80) blocks if there are special circumstances.

The key difference between PEPA and PA 2015 in terms of length of exploration licences and extensions is the totality of the potential term. Under PEPA, the first licence was four (4) years, first renewal four (4) years and second renewal three (3) years. The final discretionary one (1) year extension relates to locations. So the total cumulative period could be twelve (12) years.

This is in contrast to PA 2015 where the first licence is four (4) years, first renewal three (3) years and second renewal two (2) years. The final discretionary one (1) year extension relates to locations. So the total cumulative period could be ten (10) years.

Development licences

Section 67 of PA 2015 states that a holder of an exploration licence whose licence is in force in respect of blocks that constitute a location may within three (3) years for crude oil or two (2) years for natural gas, apply for a development licence. This is in contrast to section 35 of PEPA which had a limit of two (2) years for any type of petroleum product. The grant of a development licence is also subject to approval by the Cabinet (section 69(3)).

The initial term of a development licence is a maximum of twenty five (25) years. Where the licence is extended, it shall be for a period not exceeding fifteen (15) years. This is in contrast to section 42 of PEPA which had an initial twenty five (25) year term followed by a twenty (20) year extension. Another recurring theme in PA 2015 is the shortening of licensing terms when compared to PEPA.

Transfers and registration of records including disclosure of information

Section 85 of PA 2015 obliges PURA to establish and maintain a registry of petroleum agreements, licences, permit authorisations and any change in interests of an existing petroleum agreement, permit or licence. Parties should be aware that any purported transfer or assignment of an interest which does not have the prior approval of the Minister has no effect (section 87 of PA 2015). Of significant note is the provision at section 87(7) of PA 2015 that the NOC shall have the right of first refusal to acquire the participating interest that the contractor intends to assign to a non-affiliate.

A sensitive topic for both GoT and the private sector is the disclosure of the contents of PSAs and other petroleum agreements. These agreements generally have confidentiality clauses. Leaks however may occur, not only in Tanzania, but elsewhere in the world. PA 2015 attempts to

address this issue at sections 93-95 inclusive. Broadly, PURA may disclose information on such agreements but with the prior approval of the licence holder. Such approval is not to be unreasonably withheld. The same applies vice versa to the disclosure of information by the licence holder.

Third party access

Where spare capacity exists at an installation, third parties may apply to owners to enter into agreements to take on the spare capacity (section 97 of PA 2015). Such agreements are to be submitted to PURA for approval. PURA has the right to intervene in agreements and set tariffs and other obligations on the parties.

Domestic supply obligations

The domestic supply obligations, price for gas and volume is stipulated at sections 98-100 of PA 2015. The obligations are not entirely clear, for example the licence holder has an obligation to 'satisfy domestic market in Tanzania from their proportional share of production'. It is unclear how this will operate in practice. The legislation also states that the relevant price (or method of calculation) will be set out in as yet unpublished 'regulations'.

Rights of third parties occupying the land

Section 111 of PA 2015 sets out the relationship between licence holders and lawful occupiers of land subject to a licence. In summary, the occupier of land must seek the Minister's consent prior to erecting any building or structure. Where in the course of exploration or development, a licence holder causes harm, damage or interference with the rights of an occupier, 'fair and reasonable' compensation will be payable. There will clearly be scope for disputes as to what constitutes fair and reasonable compensation.

Finally, PA 2015 excludes any additional compensation for land by virtue of its enhanced price due to the exploration or development activities (section 112 PA 2015).

Section 113 of PA 2015 includes a provision allowing the President to grant a right of occupancy over land to a licence holder. The assumption here is that this will be to the NOC. If the vehicle happens to be a combination of the NOC and a foreign entity where the foreign entity is a majority shareholder, there may clearly be issues in respect of foreign ownership of land which is prohibited under the Land Act. Section 113 leaves some ambiguity around this issue.

Petroleum fiscal regime

As mentioned above, this briefing does not include a detailed analysis of the fiscal provisions of the Bill. Our tax team will provide a further briefing on tax aspects in due course.

By way of summary however, a royalty regime is introduced at section 114 of PA 2015 to be calculated in accordance with Schedule II. Schedule II may be amended by the Minister from time to time by notice in the Gazette.

Section 115 makes provision for the payment of annual fees for the licence. Such fees shall be set out in yet unpublished

regulations. It should be noted that there are two bonuses to be agreed by the parties and payable to NOC. The first is a 'signature bonus' payable on signature of the relevant agreement, presumably the PSA, the second is a bonus to be paid at the start of production.

Section 117 states that a licence holder shall be liable for payment of all other relevant taxes (income, capital gain etc) in Tanzania. Furthermore, section 117(3) addresses the issue of withholding tax on interest payments of loans. The legislation makes it clear that the lender shall be subject to withholding tax on interest payments on loans. The cumulative effect of these provisions is to challenge the previous PEPA regime which was perceived in some quarters to allow tax exemptions inserted into underlying agreements. It is assumed that stabilisation provisions will now be more difficult to implement given that a tax regime has been inserted directly into PA 2015. Furthermore, section 117 places a licence holder in broadly the same position as any other business in Tanzania and with no special reliefs or exemptions.

Midstream and downstream activities

National petroleum and gas information system

Section 125 of PA 2015 makes provision for EWURA to maintain a National Petroleum and Gas information System (NPGIS). The NPGIS is a strategic planning tool for GoT and the private sector to inform the public on a periodic basis about the status of the gas industry.

EWURA shall establish a Central Registry of Petroleum Operations (CRPO) which shall form part of NPGIS.

Aggregator

The NOC shall designate one of its subsidiaries as the aggregator (section 126 of PA 2015). The aggregator will have the exclusive right to purchase, collect and sell natural gas from producers. The aggregator shall apply for a licence from EWURA in order to carry out this role. This has implications on private sector parties as they will need to consider this in their corporate structures. IoCs in other jurisdictions often have separate marketing and distribution companies as part of their envisaged corporate structures and they will have to consider the interface with the aggregator.

Construction of petroleum infrastructure and role of NOC

Section 127 of PA 2015 envisages the NOC applying to EWURA for a licence to construct gas infrastructure. EWURA will have thirty (30) days to approve such an application. Approval is followed by a gazetting of such approval by EWURA. Where construction works have not commenced within twenty four (24) months of approval, such approval shall cease to have effect.

An important aspect to distinguish between upstream activities and midstream and downstream activities is the fact that the NOC has exclusive rights over petroleum in the upstream, however it does not have such exclusive

rights in the midstream and the downstream. Private sector operators in the midstream and downstream can take comfort from the fact that they will be able to apply for relevant licences in much the same way as they currently do and will not have to compulsorily partner with a centralised institution as is the case in the upstream.

Licensing

There are three (3) types of licence in respect of midstream and downstream activities, namely a:

- (a) Processing, transportation and storage licence
- (b) Liquefaction, shipping and re-gasification licence
- (c) Distribution licence

The initial term of each licence shall be for a period not exceeding twenty five (25) years. The renewal period shall be for a period of fifteen (15) years or notably, 'such longer period as may be determined by EWURA.' Any renewal must be made at least two (2) years before expiration of the existing licence.

Licences cannot be assigned or transferred without the prior approval of EWURA.

PA 2015 states that all gas processing shall occur onshore. This is a fairly restrictive provision which will be considered in detail by the private sector. It means in effect that the any offshore options for gas processing are off the table from GoT's perspective.

Tariffs in relation to transportation and distribution of gas are set by EWURA. This is another area which the private sector will be watching with interest. How much involvement and consultation will the private sector have in setting such tariffs in order to make operations economically viable?

Approval for importation, exportation and transit for petroleum and registration of certain activities

Section 163 of PA 2015 states that any person who wishes to import, export or transit natural gas shall apply to EWURA for approval.

Fees, pricing mechanism and tariffs

Section 164 of PA 2015 essentially gives EWURA the power to regulate tariffs throughout the supply-chain. The pricing of natural gas shall be undertaken in a manner consistent with as yet unpublished regulations. Section 167 creates a '**Petroleum Fee**' charged on all petroleum products. The Petroleum Fee is to be collected by the Tanzania Revenue Authority. The idea is that the cumulative Petroleum Fee shall be deposited in a Fund Account for the purposes of energy development.

Standards

PA 2015 sets out various standards to be set by EWURA or GoT for the import, export, transport or distribution of petroleum. The Tanzania Bureau of Standards will play a part in ensuring quality standards.

National petroleum emergency plan

The Minister may prepare a petroleum emergency plan which may require his office to intervene in the petroleum supply chain in order to protect safety (section 182).

Maintenance of minimum stock

Section 183 gives the Minister discretion through EWURA to ensure that participants maintain minimum stocks of petroleum products where necessary.

Assurance of fair competition

Section 184 states that the Fair Competition Commission (**FCC**) shall play a part in monitoring the sector in order to ensure fair competition. The provision is unusual as it doesn't say what in practice the FCC will do. Traditionally, the FCC's role has been the control of mergers and acquisitions and it is yet to be seen what interventions are envisaged in the energy sector.

Access to land for installations

Access to land is an important issue in respect of the petroleum sector. For the upstream, it is clear that PA 2015 considers the NOC the only entity which will have conduct of land rights and facilities. In relation to the midstream and downstream however, the reference is to a 'licensee'. Section 186 and 187 state that 'wayleaves' will be the applicable legal instrument by which pipelines will be laid. Notably, section 187(3) states that a licensee shall compensate a property owner for any wayleave granted and any dispute related to the amount of compensation shall be settled in accordance with the Land Acquisition Act. The latter provision will certainly be contentious, as it doesn't provide enough detail about this process.

Cessation of petroleum upstream and downstream activities

Section 188 of PURA places an obligation on a licence holder to submit a decommissioning plan to PURA. A decommissioning fund is also established under section 189. This is another payment which the private sector will need to factor into costs.

Health and safety and environmental considerations

Health and safety in the upstream is essentially managed under the Occupational Health and Safety Act. A safety zone will be required to be established around every petroleum facility.

Environmental issues are managed under the Environment Management Act and 'related written laws'. Notably, section 211 states that a licence holder and contractor 'shall be liable for pollution damage without regard to fault'. This is likely to be a contentious provision. PA 2015 also envisages the Minister producing specific regulations in respect of pollution.

Government participation, local content, corporate social responsibility and integrity pledge

It is clear that GoT shall participate in upstream activities through the NOC. Section 220 of PA 2015 clarifies that a licence holder and contracts shall give preference to Tanzanian goods and services. Where Tanzanian goods and services are not available, such goods and services shall be provided by a company which has entered into a joint venture with a local company. The local company shall hold no less than 25% of the shares in such joint venture company. This provision has wide ranging implications for service providers including oil services companies.

PA 2015 sets out various obligations for the recruitment and training of Tanzanians and the provision of corporate social responsibility programs.

Financial provisions

Section 225(1) of PA 2015 reiterates the obligation for a licence holder to pay capital gains tax in respect of a corporate reorganisation. Any breach of this provision shall contravene the integrity pledge which is implemented under PA 2015.

Section 226 states that the funds of PURA shall come from Parliamentary money, revenue from the sale of property, donations and grants to PURA, regulatory levies

and revenue accrued from PURA activities. PURA shall be exempt from taxes.

Offences, penalties and dispute resolution

PA 2015 has various sanctions which are a combination of fines and imprisonment for breach of provisions. Of note, there is protection for a licence holder or contractor at section 236 for interference by third parties in their operations.

PURA decides disputes in the upstream between a licence holder and a third party other than the GoT. PURA can make decrees and rulings. PURA can also decide to refuse to decide on a dispute. The courts would be the appropriate venue for settlement in the case that PURA refuses a dispute (section 243). Appeals from PURA decisions sit with the FCC within thirty (30) days of the decision.

EWURA decides disputes in the midstream and downstream (section 248(1)). Appeals are to the FCC within fourteen (14) days of a decision.

The assumption is that notwithstanding the positions above, dispute resolution clauses in relevant agreements shall be valid and effective.

Schedule

Upstream

Provision	PEPA	PA 2015
Oil and gas bureau	N/A	Section 7 establishes the Oil and Gas Bureau, which is constituted within the Office of the President and shall advise the Cabinet on strategic matters relating to the oil and gas economy.
National oil company	N/A	Section 8 provides that the Tanzania Petroleum Development Corporation shall be formed as the national oil company of Tanzania. The role of the TPDC shall be to control and manage the GoT's interests in petroleum and natural gas agreements.
Petroleum upstream regulatory authority	N/A	Section 12 establishes PURA who shall be responsible for the regulation and monitoring of the upstream petroleum sector. PURA shall be given directions by the Minister responsible for petroleum, who shall in-turn instruct licence holders to comply with industry practice. Where a licence holder fails to comply with PURA's instructions, the licence holder commits an offence (Section 16).
Energy and water utilities regulatory authority	N/A	Section 30 provides that EWURA shall take supervisory authority over midstream and downstream petroleum and natural gas activities, and shall perform technical, economic and safety regulatory functions in respect of petroleum activities.
Reconnaissance permit	N/A	Section 35 provides for a new form of permit for when a company wishes to carry out reconnaissance surveys. Reconnaissance permits are non-exclusive and multiple permits may be issued to different parties for the same area. A reconnaissance permit shall allow shallow drilling for data calibration purposes. The data and information gathered under a reconnaissance permit shall belong to the GoT, notwithstanding the right of the permit holder and PURA to use the information gathered.
Petroleum licences – exclusive rights conferred on the TPDC	N/A	Section 45 provides that TPDC shall have exclusive rights over petroleum rights granted. A company wishing to carry out petroleum operations in Tanzania must do so in conjunction with TPDC, through a joint venture vehicle (JVV) where TPDC holds at least 25% of the shareholding.

Provision	PEPA	PA 2015
Agreement in respect of Grant of right	Section 14 provides that the Minister may enter into an agreement with any person with respect to the granting of a licence, the conditions of that licence and any other related matter.	Section 48 provides that the Minister may, having taken advice from PURA, enter into an agreement with the joint venture vehicle in respect of the granting of a licence, the conditions of that licence and any other related matter. However, any such agreement must be approved by the Cabinet. The Cabinet are to be assisted in their deliberations by a model production sharing agreement, which shall be produced by PURA.
Reservation of the blocks	Section 18 provides that the Minister may declare that a block may not be subject to a licence.	Section 51 provides that the Minister may declare that a block is to be reserved for public interest, or awarded directly to the TPDC. The reservation may be done on the initiative of the Minister or following the advice of PURA.
Exploration licence	Section 19 provides that a person may make an application for the grant of an exploration licence in respect of any block or blocks.	Section 52 provides that the JVJ shall apply to the Minister for a petroleum exploration licence, but such an application should not be for more than 40 blocks. The Minister does have the discretion to consider an application for an exploration licence covering between 40 and 80 blocks where the Minister is satisfied that special circumstances exist which require them to consider the application.
Grant or refusal for extension of the exploration licence	Section 31 provides that the Minister may either approve or refuse the extension of an exploration licence.	The key difference in terms of extensions between PEPA and PA 2015 is the totality of the term of extensions. Under PEPA, the first licence was 4 years, first renewal 4 years and second renewal 3 years. The final discretionary 1 year extension relates to locations. So the total cumulative period could be 12 years. This is to be contrasted with PA 2015 where the first licence is 4 years, first renewal 3 years and second renewal 2 years. The final discretionary 1 year extension relates to locations. So the total cumulative period could be 10 years. Section 60 provides that the Minister may either approve or refuse the extension of an exploration licence upon advice of PURA.
Discovery of petroleum to be notified	Section 31 provides that where petroleum is discovered, the licensee shall forthwith notify the Commissioner and shall within 30 days of discovery, notify of the Minister of the particulars of the discovery.	Section 63 provides that where petroleum is discovered, the licensee shall: (a) Within 48 hours of discovery, submit in writing a notification of discovery to the Minister and PURA before notifying a third party (b) Submit a draft announcement to the Minister (c) Not make any announcement before the Minister Having received the draft announcement, the Minister shall within 5 working days after consultation with PURA approve the draft announcement. Within 2 days of the consultation, the Minister shall then make the announcement. Within 30 days of the discovery, the licensee shall provide PURA with written particulars of the discovery and within 90 days of discovery, state whether the discovery merits appraisal.

Provision	PEPA	PA 2015
Directions on discovery of petroleum	<p>Section 32 provides that where petroleum is discovered, the Minister may direct the licensee to do such things as the Minister thinks necessary to ascertain the chemical composition and physical properties of the petroleum.</p> <p>A person who refuses to comply with the directions is guilty of an offence and liable on conviction to a fine of not more than TSH 10,000.</p>	<p>Section 64 provides that where petroleum is discovered, PURA may direct the licensee to do such things as PURA thinks necessary to ascertain the chemical composition and physical properties of the petroleum.</p> <p>A person who refuses to comply with the directions is guilty of an offence and liable on conviction to a fine of not less than TSH 50,000,000, or imprisonment for a term of 3 years.</p> <p>The licensee is also required to notify the Minister and at the same time inform PURA whether the discovery is of current or potential commercial interest. Where such find has no current or potential commercial interest, the licensee must relinquish the discovery.</p>
Application for development licences	Section 35 provides that a licensee must apply for a development licence within two years of a block being declared a location.	Section 67 provides that a licensee must apply for a development licence within three years for crude oil, or within two years for natural gas, of a block being declared a location.
Disposal of an application for a development licence	Section 37 provides that the Minister shall have the authority to grant a development licence.	Section 69 provides that the Minister shall have the authority to grant a development licence, but such grant should be preceded by Cabinet approval.
Grant or refusal of extension of development licence	Section 44 provides that the Minister has the authority to grant an extension of a development licence.	Section 76 provides that the Minister shall, advised by PURA and with the prior approval of the Cabinet, grant an extension of licence.
Production permit	N/A	Section 77 provides that, upon the advice of PURA, the Minister shall before or during the grant of a development licence, approve a production schedule contained in the development plan and issue an annual production permit to the licensee.
Surrender of licence	Section 49 provides that a licensee should apply to the Commissioner for a certificate of surrender.	Section 82 provides that a licensee should apply to the Minister for a certificate of surrender.
Petroleum registry	N/A	<p>Section 85 provides that PURA shall establish and maintain a registry of petroleum agreements, permit authorisations and any change in interests of an existing petroleum agreement, permit or licence.</p> <p>The Registry shall also contain a record of any court decision, including arbitration, award, deeds or instruments related to the licence.</p> <p>Any person may request access to information in the registry and the information registered shall be public except as otherwise provided in law.</p>

Provision	PEPA	PA 2015
Transfer of interest in a licence to be approved by minister	Section 54 states that an application for the transfer of an instrument shall be made to the Commissioner.	<p>Section 87 provides that an application for approval of transfer of an instrument shall be made to the Minister and such transfer may be approved or rejected after consultation with PURA.</p> <p>The TPDC shall have the right of first refusal to any acquiring interest that a member of the contractor intends to assign.</p> <p>The transferor shall ensure continuity of operations until the operations are taken over by the transferee.</p> <p>The Minister shall announce without delay an approval of an assignment or change of ownership in at least two widely read newspapers or other media outlets.</p>
Information, data and reports	N/A	<p>Section 89 provides that all data generated under this Act shall be owned by the GoT and that such data shall be provided to PURA free of charge.</p> <p>The licensee is not allowed to export any core, cuttings, rock samples, fluid samples or other data without the written authorisation of PURA.</p> <p>PURA shall establish the National Oil and Gas Resource Data Bank for the storage of data generated under the Act.</p> <p>The licensee is required to submit half-yearly reports to PURA, reports within 60 days of the end of a licence and summaries of drilling.</p>
Petroleum fiscal regime	N/A	Section 114 provides that the licence holder and contractor are required to pay a royalty to the GoT in respect of the gross volume of petroleum recovered at the delivery point.

Downstream

Provision	PA 2008	PA 2015
National petroleum and gas information system	N/A	<p>Section 125 provides that there shall be a National Petroleum and Gas Information System which shall be maintained by EWURA.</p> <p>NPGIS shall be a strategic planning tool for the GoT about the status of the gas industry.</p> <p>NPGIS shall consist of an integrated and centralised information system containing appropriate data processing technology and covering all midstream and downstream gas activities and related installations, principal market activities, relevant statistics of the country and international reference data.</p> <p>Every licensee shall be required to provide information to NPGIS which, unless a matter of national security or is propriety market information, shall be available to the public.</p>
Exclusive rights of the aggregator	N/A	The TPDC shall designate one of its subsidiaries to be the aggregator and the aggregator shall have the exclusive right to purchase, collect and sell natural gas from producers.

Provision	PA 2008	PA 2015
Approval of construction applications	Section 14 provides that EWURA shall notify the applicant within 40 days from the receipt of the application.	Section 127 provides that EWURA shall notify the applicant within 30 days of the receipt of the application.
Application for licence	Section 8 provides that a person shall not perform petroleum supply operations without having obtained a licence. EWURA shall notify the applicant within 40 days of the receipt of the application.	Section 132 provides that any person wanting to undertake a regulated activity must apply to EWURA for a licence. Failure to do so will mean that the person is committing an offence and upon conviction shall be liable to a fine of not less than 20 million shillings or to imprisonment for a term of not less than two years but not more than five years.
Validity of licence	Section 10 provides that the duration of a licence shall be between 5 and 20 years.	Section 138 provides that every licence shall be granted for a period of up to 25 years.
Revocation of licence	Section 12 provides that a licence may be terminated or revoked if the holder fails to remedy or desist from an act constituting violation within a prescribed time.	Section 114 provides that a licence may be revoked under certain circumstances. Upon renovation, EWURA shall notify the licensee in writing of the revocation and of the effective date when the licence no longer shall have effect. The licence should be returned fourteen days after it no longer has effect.
Continuity of service in case of transfer or revocation	N/A	Section 145 provides that a licensee shall ensure continuity of service and shall not suspect operations until the operations are taken over by a new licensee.
Processing, transportation and storage licence	N/A	Section 147 provides for a specific processing, transportation and storage licence.
Gas processing facilities	N/A	Section 149 provides that all gas processing facilities should be onshore.
Transportation system and third party access	N/A	Section 186 provides that a licensee shall be required to take all necessary measures to secure acquisition rights of way for laying, operation and repair of gas pipelines and other facilities as may be requested by the licensee.
Access to land for installations	N/A	Section 186 provides that a licensee shall be required to take all necessary measures to secure acquisition rights of way for laying, operation and repair of gas pipelines and other facilities as may be requested by the licensee.
Wayleaves	N/A	Section 187 provides that a licensee shall acquire wayleave around existing and future gas infrastructure and petroleum installations. Owners of property on or bordering a wayleave shall not interfere with the licensee's acquired rights. A licensee shall compensate a property owner for any wayleave granted. A licensee shall be entitled to the use of public roads and other infrastructure for the purposes of laying, connecting, running or maintaining gas distribution systems.

Provision	PA 2008	PA 2015
Cessation of petroleum operations	N/A	Section 188 provides that a licence holder must submit to PURA a decommissioning plan at least five years before the date when a facility is expected to be terminated permanently. A licence holder will be required to contribute to a decommissioning fund.
Cessation of downstream activities	N/A	Section 197 provides that a licensee shall submit a decommissioning plan to EWURA at least two years, but no longer than four years, before the date when the facility is expected to be terminated permanently. A licence holder will be required to contribute to a decommissioning fund.
Integrity pledge	N/A	Section 224 provides that a licence holder who undertakes petroleum or gas activities will be required to comply with the integrity pledge. Anyone who fails to comply with the integrity pledge shall breach the conditions of the licence and shall be deemed to have breached their licence.

Further information

If you would like further information on any issue raised in this update please contact:

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Further advice should be taken before relying on the contents of this summary.

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Tanzanian Explorers Club

The Tanzanian Explorers Club (TEC) is for people working in, or affiliated with, Tanzania's energy industry, specifically the mineral exploration sector. TEC provides an informal environment to facilitate networking and information sharing between key participants of the industry. If you are interested in joining the next TEC meeting, please email Clyde & Co's energy team to find out further details.