



## Tanzania enacts legislation impacting the oil and gas industry

### Executive summary

As a matter of urgency, the Parliament of Tanzania passed three legislative Acts in July 2015: the *Petroleum Act 2015*, the *Tanzania Extractive Industry (Transparency and Accountability) Act 2015*, and the *Oil and Gas Revenues Management Act 2015*. The President assented to these Acts on 4 August 2015. The Acts update and consolidate existing legislation for the Oil and Gas sector.

The objectives of the Acts, among others, are to repeal two Acts, namely the *Petroleum (Exploration and Production) Act 1980*, covering upstream petroleum operations, and the *Petroleum Act 2008*, covering mid and downstream petroleum supply operations.

### Detailed discussion

#### Overview of the Petroleum Act, 2015

Under the *Petroleum Act, 2015* (the Act), the strategic oversight and management over the oil and gas economy shall vest in the Government.

The Act covers both oil and natural gas.

#### Some key features

The Ministry of Energy and Minerals has an overall supervisory mandate over policy, licensing and authorization.

The Tanzania Petroleum Development Corporation (TPDC) will be the National Oil Company (NOC) and owner of licenses.

Institutional oversight agencies for oil and natural gas include:

- ▶ Oil and Gas Advisory Bureau (OGA) which is essentially the national think-tank on matters relating to oil and gas

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- ▶ Petroleum Upstream Regulatory Authority (PURA), PURA is empowered with a supervisory and regulatory role of upstream petroleum operations
- ▶ Energy and Water Utilities Regulatory Authority (EWURA) is empowered to regulate the mid and downstream petroleum activities.

The Minister of Energy and Minerals has the power to grant, renew and suspend licenses subject to advice by PURA.

Subject to cabinet approval and upon advice from PURA the Minister may enter into a development agreement with TPDC and its partners concerning grants of licenses, and condition thereof any other matter.

PURA is to develop a model *Production Sharing Agreement (PSA)* to be approved by the Cabinet.

### **Government participation and local content**

The Government can participate through the National Oil Company (NOC) with a specified participating interest of a license contract, in a joint venture established by a joint operating agreement within the entire petroleum value chain.

License holders are to give preference to goods produced in Tanzania and services rendered by Tanzanian companies.

License holders and contractors shall prepare a procurement plan of five years indicating inter alia use of local services in insurance, financial, legal, accounts, health, and goods produced in Tanzania.

License holders and contractors shall within 12 months from date of grant of the license and every anniversary of the grant submit to PURA a recruitment and training program for Tanzanian citizens.

License holders and contractors shall every year prepare a (joint) *Corporate Social Responsibility (CSR)* plan to be agreed with the relevant local government authority.

### **Fiscal regime**

Among other payments, the license holder, contractors and sub-contractors shall pay corporate tax, capital gains tax and other applicable taxes as per written laws. Profit from direct/indirect assignment, transfer or any other disposal of rights under a petroleum agreement regardless of the beneficiary, type of transaction shall be subject to taxes at rates prescribed in the *Income Tax Act*.

The party financing the respective operations is considered a subcontractor and shall be subject to withholding tax on the interest

paid; the interest may not exceed the lowest market rates and is only deductible for tax purposes if approved by PURA.

### **Dispute resolution**

PURA may inquire and is empowered to resolve disputes arising from oil and gas operations.

An international arbitration process is not covered, although this process is available under the current (model) PSA.

### **Extractive Industry (Transparency and Accountability) Act, 2015**

All concessions, contracts, and licenses relating to the extractive industry are to be published. Non-compliance is a criminal offense and companies are fined at Tshs 150 million (approx. US\$75,000). This is in contrast to the existing PSAs as well Mining Development Agreements which have confidentiality clauses.

### **Oil and Gas Revenues Management Act, 2015**

Under the *Oil and Gas Revenues Management Act 2015*, the Oil and Gas Fund, will be established. The fund is responsible for maintaining fiscal and macroeconomic stability, enhancing social and economic development, and safeguarding resources for future generations.

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