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THE PETROLEUM ACT, 2015

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NOTICE

This Bill to be submitted to the National Assembly is published for general information to the public together with a statement of its objects and reasons.

Dar es Salaam,
25th May, 2015

OMBENI Y. SEFUE
Secretary to the Cabinet

A Bill

for

An Act to provide for regulation of upstream, midstream and downstream petroleum activities, establishment of the Petroleum Upstream Regulatory Authority, to provide for the National Oil Company, to secure the accountability of petroleum entities and to provide for other related matters.

ENACTED by the Parliament of the United Republic of Tanzania

PART I
PRELIMINARY PROVISIONS

Short title and commencement

1. This Act may be cited as the Petroleum Act, 2015 and shall come into operation on such date as the Minister may, by notice published in the *Gazette*, appoint.

Application

2. This Act shall, **unless** constitutionally required otherwise, this Act shall apply to Mainland Tanzania as well as Tanzania Zanzibar-

(a) with respect to the regulation of petroleum upstream operations and matters incidental thereto within territorial land, inland lakes, sea-bed and subsoil of the continental shelf in any land to or in the jurisdiction to which this Act applies; and

(b) in relation to midstream and downstream petroleum activities, and to every person who conducts any of the regulated activities.

Interpretation

3.-(1) In this Act, unless the context otherwise requires: “appraisal” means activities to be carried out after a discovery of petroleum with the aim of defining parameters of the petroleum and reservoir to which the discovery relates and determine its commerciality and include but not limited to:

- (a) drilling of wells and running productivity tests;
- (b) collecting geological samples and reservoir fluids; and
- (c) conducting supplementary studies and acquisition of geophysical and other data, as well as the processing of same data;

“appraisal programme” means an approved work programme and budget prepared for purpose of appraisal;

“appraisal well” means any well drilled after discovery of petroleum in a contract area for purpose of ascertaining the quantity and areal extent of petroleum in the petroleum reservoir to which that discovery relates;

“associated natural gas” means natural gas which exists in a reservoir with solution in crude oil and includes gas cap which overlies and is in contact with crude oil;

“affiliate” means any person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control of another person;

“aggregator” means a state enterprise and subsidiary to the National Oil Company having exclusive rights to purchase, collect, transport and sell gas produced in the country-onshore, shallow-shore and offshore;

“best international petroleum industry practices” means practises in accordance with the most up to date international standards that are generally accepted in the international petroleum industry for the conduct of petroleum activities taking into account the relevant safety, economic, technological and environmental aspects;

“Block” means a block constituted as provided by section 33;

“Board” means the governing board of the Petroleum Upstream Regulatory Authority;

“Bureau” means the Oil and Gas Advisory Bureau established under section 6;

“buyer” means a person who buys gas from a supplier or another buyer, and sells it to another buyer or an end-user;

“charges” means amount of money paid once by a customer for initial connection, reconnection or other gas services as may be prescribed in the regulations;

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“company” means a body corporate incorporated under the Companies Act;

“continental shelf” means seabed and subsoil of marine areas extending beyond the United Republic of Tanzania territorial sea, through the natural prolongation of the United Republic of Tanzania territory to the outer edge of the continental margin, but not less than 200 nautical miles from the baseline from which the breadth of the territorial sea is measured, and not beyond the median line to another state, unless otherwise derived from the rules of international law for continental shelf beyond 200 nautical miles from the base lines or from an agreement with the relevant State;

“contract area” means an area in which at any particular time is subject to an exploration licence or development licence granted to a licence holder or

- as defined in the relevant agreement;
- “contractor” means a second party or an entity to which any interest on the licence may be transferred in the application of the provisions of the relevant agreement;
- “corporation” means a body corporate incorporated in or outside Tanzania, but shall not include a company;
- “Chief Technical Advisor” means the chief executive officer of the Bureau appointed under section 7;
- “control” means the ownership by one person of fifty percent or more of the voting interests of other person;
- “customer” means a person who purchases, transports, stores distributes, re-gasifies or markets services for which tariffs are levied by a licensee;
- “decommissioning” removal or disposal of structures, facilities and installations and includes pipeline, platforms and other property used in petroleum operations in an area, cleaning up of the area, plugging and secure of wells, restoration of land, safety clearance of an area, in connection with abandonment or cessation or partial cessation of petroleum operations in an area or part of an area;
- “delivery point” means a point specified in the approved development plan within or outside the contract area;
- “development area” means an area of land subject to a development licence;
- “development licence” means a licence granted under section 67;
- “development operations” means operations for or in connection with production of petroleum and shall include the activity carried out to prepare the Development Plan and the activity carried out after the grant of the development licence in the respective development area and shall include:
- (a) reservoir, geological and geophysical studies and surveys;
 - (b) drilling of producing and injection wells;
 - (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants, and related activities necessary to produce and operate wells, to take, save, treat, handle, store, transport and deliver petroleum and to undertake re-pressuring, recycling and other secondary or tertiary recovery projects;
- “development plan” means a plan accompanying an application for a development licence containing detailed proposal for construction, establishment and operations of all facilities and services for recovery, processing, storage, transportation of petroleum from the proposed development area and training and employment of Tanzanians;
- “development well” means a well drilled for purpose of producing or enhancing production of petroleum from a commercial discovery and includes the appraisal wells completed as producing or injection wells;
- “delivery point” means a point at the wellhead or inlet flange of a processing plant or at the outlet of the transmission system;

- “Director General” means a person appointed under section 24;
- “distribution” means the activity of receiving, treating and delivering gas through an interconnected system of gas pipelines that has a maximum operating pressure under normal conditions not exceeding 10 bar gauge and any other approved equipment;
- “distribution system” means a local pipeline network and related accessories for purposes of delivering of gas to customers and retailing outlets;
- “discovery block” means a Block in the exploration area comprising of geological feature as outline by the relevant geological of geophysical data in which a discovery is located;
- “drilling” means perforation of earth's surface, whether the hole is vertical, inclined or horizontal and includes all operations for preventing the collapse of the sides of the hole or preventing hole from becoming filled by extraneous materials including water and fitting of wellheads, coring and logging and any other related operations;
- “downstream” means and complies of petroleum, processing and purifying of Petroleum products, marketing, transportation and distribution of Petroleum products;
- Cap. 414 “EWURA” means the Energy and Water Utilities Regulatory Authority established under the Energy and Water Utilities Regulatory Authority Act;
- “exploration area” means an area of land subject to an exploration licence;
- “exploration licence” means a licence granted under section 53;
- “exploration operations” means operations for or in connection with exploration for petroleum and shall include geological and geophysical surveys and studies, aerial surveys and other as may be included in approved work programme and budgets, and the drilling of such shot holes, core holes, stratigraphic tests, exploration wells, and other related holes and wells, and the purchasing or acquisition of such supplies, materials and equipment which may be included in approved work programme and budgets;
- “exploration period” means a time granted for the performance of exploration operations;
- “exploration well” means a well drilled in the course of exploration operations conducted and shall not include an appraisal well whose purpose at commencement of drilling is to explore for an accumulation of petroleum whose existence was at that time unproven by drilling;
- “eligible end-users” means all industrial or commercial end-users, who purchase gas directly from suppliers;
- “end-user” means any electricity generator, household, industrial or commercial concern or any other entity which purchase gas for its own use;
- Cap. 191 “environment” has the meaning ascribed to it under the Environmental Management Act;
- Cap. 191 “Environmental Impact Assessment” shall have the same meaning ascribed to it

- under the Environmental Management Act;
- “gas plant” means a plant for treatment, conditioning, synthesizing, refining, processing, separation or conversion of natural gas;
- “graticular section” means a section referred to in section 33;
- “gas” means any naturally occurring mixture of hydrocarbons in gaseous state, principally methane with varying quantities of ethane, propane, butane and other gases used as fuel or feedstock, whether:
- (a) pressurised to be transported and distributed through pipelines, lateral lines and spur line;
 - (b) compressed in special cylinders or vessels, to be efficiently transported or stored as compressed natural gas (CNG) by special trucks or ships; or
 - (c) liquefied using special facilities, to be efficiently transported as liquefied natural gas (LNG);
- “gas code” means operational and management specifications governing professional and ethical requirements of gas service providers in rendering services associated with transportation, distribution, supply, storage of gas or any other related activities prescribed by EWURA;
- “gas infrastructure” means facilities for gas gathering, processing, transportation and distribution, liquefaction, re-gasification, storage depot, retail stations and industries that use gas as feedstock;
- “Gas Utilisation Master Plan” means a planning document prepared by the Minister and updated from time to time indicating short, medium and long term plan for natural gas utilization including infrastructure development to cater for gas demand development;
- “gross calorific value” means the amount of heat released by a specified quantity of fuel (initially at 25^oC) once it is combusted and the products returned to a temperature of 25^oC;
- “hydrocarbon” means natural occurrence of carbon-hydrogen sometimes with oxygen compounds whether in solid, liquid or gaseous state;
- “integrity pledge” means a formal and concrete expression of commitment by contractors and subcontractors to abide ethical business practices and support a national campaign against corruption and prepared by EWURA and PURA;
- “interconnected system” means all systems that are not non-interconnected systems;
- “inquiry” means a process undertaken by EWURA under section 19 of the Energy and Water Utilities Regulatory Authority Act and includes an inquiry conducted at the instance of the Minister in accordance with section 5;
- “Joint Operating Agreement” mean an agreement entered between the parties including a contractor and a National Oil Company where applicable;
- “joint operations” means petroleum operations in respect of which the National Oil Company has elected to contribute expenses or has been carried out

- by the contractor;
- “land” includes land beneath territorial waters; and the continental shelf;
- “licence holder” means a holder of an exploration or development licence granted under this Act;
- “licence” means a licence granted under this Act;
- “local content” means the quantum of composite value added to, or created in, the economy of Tanzania through deliberate utilization of Tanzanian human and material resources and services in the petroleum operations in order to stimulate the development of capabilities indigenous of Tanzania and to encourage local investment and participation;
- “location” means the blocks declared under section 65;
- “licensee” means a holder of a licence granted by EWURA;
- “liquefaction” means activity of converting gas from a gaseous state to a liquid state at a facility designed and constructed specifically for that purpose;
- “liquefaction facility” means a facility that a licensee uses in liquefaction process and it includes pipelines and other associated facilities;
- “Liquefied Natural Gas” also described as “LNG” means a natural gas, predominantly methane, CH₄ that has been converted temporarily to liquid form for ease of storage or transportation;
- “Minister” means the Minister for the time being responsible for petroleum affairs;
- “midstream activities” means and comprises of activities related to petroleum gathering, transportation, processing, functions related between well-head and transportation system;**
- “National Oil Company” means the Tanzania Petroleum Development Corporation as provided under section 9;
- “National Petroleum and Gas Information System” also described as “NPGIS” means a system established under section 124;
- “natural gas” means any hydrocarbons produced from the contract area which at a pressure of 1 atmosphere and a temperature of sixty degrees Fahrenheit (60°F) are in a gaseous state at the wellhead, and include residue gas after the extraction of liquid hydrocarbons therefrom, both associated and non-associated natural gas, and all of its constituent elements produced from any well in the contract area and all non-hydrocarbon substances therein;
- “non-associated gas” means natural gas other than casing head gas;
- “net calorific value” means the amount of heat released by combusting a specified quantity of fuel (initially at 25 °C or another reference state) and returning the temperature of the combustion products to 150 °C;
- “non-interconnected system” means a system that is not interconnected to any system owned by a person other than the owner of the first system or an affiliate to it;
- “offshore” means an area extending from the lowest limit of low spring tides or baseline to the edge of the continental shelf and normally located in water depth equal to or greater than 200 metres;

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- “oil” means naturally occurring liquid hydrocarbon (crude oil) and the refined products obtained from these;
- “onshore” means area away from the shore located on land or water depth less than 200 metres;
- “operator” means a person designated as operator under a Joint Operating Agreement and executed by persons constituting contractor or operating agreement executed by the National Oil Company and contractor pursuant to relevant agreement;
- “OSHA” means the Occupational Safety and Health Authority established under the Occupational Safety and Health Act;
- “participating interest” means the proportion of entitlement and obligations on which each party shall bear pursuant to relevant agreement;
- “permit holder” means a holder of reconnaissance permit granted under section 37;
- “petroleum installation” means any installation used in oil supply chain and includes receiving terminals, oil depots, consumer installation facility, retail outlets, refinery and pipelines;
- “petroleum operations” means operations and activities in connection with exploration, appraisal, development, and production and includes all abandonment activities;
- “petroleum products” means organic compounds, pure or blended, which are derived from refining or processing of petroleum crude oils, biofuels or synthetic fuels and includes-
- (a) asphalts, bitumens, petroleum coke and other residual products;
 - (b) bunkers or heavy residual fuel oils for combustion engines or industrial heat processes, such as burners for boilers or heating furnaces;
 - (c) commercial gases , methane, ethane, propane, butane and other similar petroleum gases, biogas or mixtures of these gases, whether in gaseous or liquefied state;
 - (d) gasoil or automotive diesel, biodiesel, industrial marine diesels or synthetic diesel;
 - (e) gasolines petrol or naphth or bioethanal products;
 - (f) kerosenes or other similar oils for illumination or combustion applications;
 - (g) lubricating oils, base oils or refined and blended finished oils;
 - (h) turbo fuels for jet propulsion engines; and
 - (i) other products or by-products of petroleum crude processing having a flashing point lower than 120 degrees Celsius, as determined in a Pensky-Martens closed test apparatus;
- “petroleum reservoir” means a naturally occurring discrete accumulation of petroleum in any form whatsoever;
- “petroleum” means any naturally occurring hydrocarbon, whether in gaseous, liquid, solid state or any naturally occurring mixture of hydrocarbons,

whether in a gaseous, liquids, or solid state or mixture of one or more hydrocarbons whether in a gaseous, liquid or solid state and any other substance and includes petroleum that has been returned to a natural reservoir, but shall not include coal or any substance that may be extracted from coal or other rock;

“petroleum data” means all data and information relating to reconnaissance, exploration, development or production of petroleum including rocks samples, fluid samples and plans relating to petroleum operations;

“production operations” include:

- (a) running, servicing, maintenance and repair of completed wells, equipment, pipelines, systems, facilities and plants completed during development;
- (b) all activities related to planning, scheduling, controlling, measuring, testing and carrying out of flow, gathering, treating, processing, transporting, storing and dispatching of petroleum from underground petroleum reservoirs to the delivery point and all other operations necessary for production and marketing of petroleum;
- (c) acquisition of assets and facilities required for the production of petroleum and petroleum field abandonment operations;

“production permit” means a permit granted under section 77;

“processing” means removal of condensate, cryogenic operations to extract butanes, propanes and natural gas liquids (NGLs), impurities and water; odorize or otherwise prepare gas for transportation, shipping, or liquefaction;

“processing facility” means a gas processing facility designed to remove condensates, extract butanes, propanes and natural gas liquids (NGLs), impurities and water, odourize or otherwise prepare gas for transportation, shipment or liquefaction;

“PURA” means the Petroleum Upstream Regulatory Authority established under section 12;

“reconnaissance” means geo-scientific and geo-technical activities along the preliminary evaluation of hydrocarbon potential in an area including acquisition and interpretation of potential data, surface geology, geochemical data, seismic data in shallow drilling;

“re-gasification” means conversion of liquefied natural gas to a gaseous state at a re-gasification plant;

“regulated activity” means petroleum and natural gas mid and downstream activities including:

- (a) transportation or distribution of gas;
- (b) supply of gas to end-users that are not eligible end-users, including the marketing of gas to end-users;
- (c) supply of gas to end-users that are eligible end-users, including the marketing of gas to eligible end-users; and
- (d) processing, liquefaction, storage, shipping, re-gasification or

compression of gas; and

(e) petroleum importation, wholesale business, retail business, consumer installation operations, transit trade, storage, refining operations and pipelines operations.

“reticulation” means division of bulk gas supplies and distribution of bulk gas to the points of ultimate consumption and includes any other activity incidental to that;

“subcontractor” means any business entity hired by contractor to carry out all or a portion of petroleum operations as approved by contractor under the terms of agreement;

“shipping” means receiving, treating and delivering of gas in a form of Liquefied Natural Gas by means of Liquefied Natural Gas vessel or compressed natural gas to person other than the end users, and may include the act of treating gas to meet agreed specifications before it is delivered to the re-gasification facility, and receiving and delivering compressed natural gas by ship, trucks or other means of conveyance;

“specification” means chemical and physical composition, calorific values and Wobbe Index of gas that conforms to recognised international standards and pressure of gas at a point of entry to shared system;

“storage” means receiving, holding and delivering gas at fixed facilities other than liquefaction, re-gasification or pipeline facilities;

“supply” means the sale or commercial provision of gas to an end-user or to a gas buyer for onward selling by that buyer to an end-user or other buyer;

“supplier” means a person who supplies natural gas to an end-user or a buyer;

“system” means a connected set of pipes, compressors, regulators, meters, facilities and ancillary equipment used for transportation, storage, distribution, liquefaction, shipping or re-gasification of gas;

“tariff” means a schedule or list of prices, rates, charges and fees for gas services rendered to any customer, and conditions attached thereto communicated publicly to regulate those activities that are subject to economic regulation pursuant to section 164;

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“Tanzania Bureau of Standards” also described as “TBS” means a bureau established under the Standards Act;

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“Tanzania Petroleum Development Corporation” also described as “TPDC” means a corporation established by Order under the Public Corporations Act;

“transportation” means delivering of gas from processing, liquefaction, re-gasification or storage facilities using pipelines that have a normal operating pressure exceeding 10 bar gauge, special trucks, ships or any other means;

“upstream activities” means and comprising of geophysical exploration, exploration for and development of Petroleum, constructing and operating of wells, production of Petroleum, construction, operating and

use of storage reservoir, construction and operation of pipelines and other special infrastructure for Petroleum;

“upstream operator” means a person who undertakes one or more upstream activities;

“well” means a hole in land or subsoil of land, made by drilling in connection with exploration operations or development operations and shall not include a seismic short hole; and

“Wobbe Index” means a main indicator of fuel burning characteristics used to compare combustion energy output of different composition of fuel gases in an appliance.

Petroleum vested
in the
Government

4.-(1) The entire property in and control over petroleum in its natural state are vested in, and shall be exclusively managed by the Government on behalf of and in trust for the people of Tanzania, but without prejudice to any right to explore, develop or produce petroleum granted, conferred, acquired or served under this Act.

(2) Petroleum activities under Tanzania jurisdiction shall not be conducted without an authorization, licence, permit or approval granted in accordance with this Act.

(3) The strategic oversight and directions over oil and gas economy shall vest into the Cabinet.

PART II ADMINISTRATIVE PROVISIONS

Sub-Part I General Administrative Provisions

(a) Role of the Minister

Role of the
Minister

5.-(1) The Minister shall provide supervisory and functions in petroleum industry and shall, in that respect, discharge the following functions:

- (a) develop and implement policies and plans;
- (b) granting, renewing, suspending and cancelling of petroleum exploration and development licences after being advised by PURA;
- (c) promote local participation in the sector;
- (d) attract foreign investment and technology in the sub-sector;
- (e) ensure and sustain transparency in the petroleum subsector;
- (f) formulating and reviewing Government policies and regulations in the petroleum industry;
- (g) causing to be conducted studies necessary for administrative and management purposes in respect of petroleum sub-sector;
- (h) cause to be conducted inquiries into accidents or disasters caused by petroleum activities;

- (i) preparing, publishing and revising, natural gas master plan and strategies for development of natural gas industry;
- (j) prepare a petroleum emergency supply plan and ensure sufficient strategic reserves of petroleum and petroleum products as required by the market;
- (k) in consultation with Tanzania Bureau of Standards and by order in the *Gazette*, approve application of technical specifications, standards and quality control norms for protection of public health, safety and environment and ensure the safety of operations in the petroleum supply chain; and
- (l) perform any other functions related to petroleum production activities or assigned to him by this Act.

(2) In the discharge of functions under subsection (1), the Minister shall have powers to intervene and take immediate or prompt reparation actions in any regulated activity or petroleum operations including coordinating emergency response in cases of major accidents, disasters or shortages in the petroleum supply chain.

(3) For purposes of subsections (1) and (2), the Minister shall-

- (a) in respect of any strategic decisions on strategic petroleum investments, seek guidance and directives of the Cabinet;
- (b) consult other relevant sectoral Ministries if a duty to be discharged is related to or potentially affect the functions of such other ministries.

(4) The Minister shall ensure that there is a balance between petroleum domestic supply and export.

Commissioner for
Petroleum Affairs

6. The Commissioner for Petroleum Affairs shall be the advisor of the Minister on policy, plans and regulations as well as the day to day administrative matters in the oil and gas subsector.

(b) Oil and Gas Advisory Bureau

Oil and Gas
Advisory Bureau
the Bureau

7.- There shall be constituted within the Office of the President the Oil and Gas Advisory Bureau which shall advise the Cabinet on strategic matters relating to oil and gas economy.

(c) National Oil Company

Tanzania
Petroleum
Development
Corporation

8.-(1) Tanzania Petroleum Development Corporation shall be the National Oil Company and shall, in that respect, undertake Tanzania's commercial aspects of petroleum in the upstream, midstream and downstream operations and participating interests of the Government in the petroleum and natural gas agreements.

(2) The Government shall at all times maintain a minimum of fifty one percent of shares in the National Oil Company.

(3) The National Oil Company may form subsidiary companies to carry out specific petroleum operations or related activities.

Functions of the
National Oil
Company

10.-(1) The National Oil Company shall perform the following functions:

- (a) advising the Government on policy matters pertaining to petroleum industry;
- (b) participating in petroleum reconnaissance, exploration and development projects;
- (c)
- (d) carrying out specialized operations in the petroleum value chain using subsidiary companies;
- (e) handling the government's commercial participating interests in the petroleum sub-sector;
- (f) managing the marketing of the country's share of petroleum received in kind;
- (g) developing in depth expertise in the petroleum industry;
- (h) investigating and proposing new upstream, midstream and downstream ventures local and international;
- (i) contracting, holding equity or participating in oil service and supply chain franchises and other licences;
- (j) performing any petroleum activities and related functions.

(2) The National Oil Company, shall have exclusive rights over natural gas midstream and downstream value chain to undertake the following:

- (a) safeguard the national interest in the natural gas industry;
- (b) participate in the development and strategic ownership of natural gas projects and businesses on behalf of the Government;
- (c) carry out specialized operations in the natural gas value chain on its own or through its subsidiaries including processing, transportation, liquefaction, regasification, storage, compression and distribution;
- (d) aggregate natural gas, own and operate major gas infrastructures on its own or through its subsidiaries;
- (e) promote investment of gas activities in the designated areas;
- (f) acquire, analyse and disseminate information on issues relating the natural gas industry;
- (g) own pipeline network from central gathering stations to wholesale distribution and end user;
- (h) plan and propose midstream and downstream ventures locally and internationally;
- (i) participate in the joint venture project for optimisation of shareholder value under public private partnership and strategic partnership arrangements;
- (j) trade or supply gas in regional market and beyond;
- (k) implement gas master plan;

- (l) promote local content including participation of Tanzanians in the natural gas value chain;
- (m) hold land for key oil and natural gas projects; and
- (n) perform any other functions as the Government may direct.

(3) Subject to the provisions of this Act, the National Oil Company may allow other person to undertake regulated activities.

(4) For the purpose of carrying out its development activities provided for under this Act, the National Oil Company shall retain a proportion of funds from oil and gas revenue as shall be determined in the Oil and Gas Revenue Management Act.

Instructions to the National Oil Company

11. The Minister may issue policy directions to the National Oil Company in respect of performance of its functions under this Act.

Sub-Part II Petroleum Regulatory Authorities

(a) Petroleum Upstream Regulatory Authority

Establishment of PURA

12.-(1) There shall be the Petroleum Upstream Regulatory Authority or in its acronym PURA which shall regulate and monitor the petroleum upstream sub sector.

(2) PURA shall be a body corporate with perpetual succession and a common seal and shall, in its corporate name, be capable of-

- (a) suing and being sued;
- (b) acquiring, holding and disposing of real and personal property;
- (c) exercising the powers and performing the functions conferred upon it by or under this Act;
- (d) entering into any contract or other transaction, and
- (e) performing any other act or thing which a body corporate may lawfully perform.

(3) Notwithstanding the preceding provisions of this section PURA having the status of a body corporate, the Attorney General shall have the right to intervene in any suit or matter instituted by or against PURA.

Functions and responsibilities of PURA

13.-(1) PURA shall have the following responsibilities:

- (a) advising the Minister on-
 - (i) the promotion and bidding process of the production sharing agreements or other contractual arrangement;
 - (ii) the negotiation of production sharing agreements and other contractual arrangements;
 - (iii) the granting, renewing, suspending and cancelling of petroleum exploration licence, development licence and production permit.

- (b) advising the Government on proposed development plans, infrastructure development, tail end plan and decommissioning of installations submitted by a licence holder.
- (2) In addition to the responsibilities conferred to it under sub-section (1), PURA shall perform the following functions:
 - (a) conducting or cause to be conducted reconnaissance surveys and evaluating prospectivity of frontier areas;
 - (b) monitoring, regulation and supervision of the petroleum subsector, including reserve estimation and measurement of produced petroleum;
 - (c) analyzing, disseminating and issuing information relating to petroleum industry, including proposed exploration activities contained in the annual work programme, appraisal programme and production forecasts submitted by a licence holder;
 - (d) reviewing and approving budgets submitted by a licence holder;
 - (e) promoting local content including supporting national enterprises and Tanzanians to participate in the petroleum upstream industry;
 - (f) receiving and processing application for granting, renewing, suspending and cancelling of petroleum exploration licence, development licence and production permit;
 - (g) coordinating and cooperating with other Government institutions, including other regulatory authorities responsible for monitoring, evaluation and review of petroleum operations;
 - (h) monitoring performance of petroleum projects and programmes;
 - (i) monitoring all phases of petroleum discovery, evaluation and delineation, commercial evaluation of discovery, reservoir performance and production to ensure optimal rates for the discovery, commercialisation and recovery of petroleum resources using the best available technologies and field practices;
 - (j) monitoring and evaluating performance in petroleum activities including investment, cost of services, regularity of outputs and availability of crude oil and natural gas for domestic supply;
 - (k) ensuring compliance by industry players to the provisions of this Act and imposing sanctions for non-compliance or other violation of regulations, orders, rules or contract terms;
 - (l) ascertaining the cost of oil and gas due to licence holder and other contractors;
 - (m) maintaining continued communication and dialogue with all stakeholders in the industry including the public to ensure optimal development of the sector;
 - (n) facilitating resolution of complaints and disputes;
 - (o) managing national exploration and production data base and working diligently towards declassifying data as it sees fit;
 - (p) undertaking administration of production sharing agreement or

- other contractual arrangement;
- (q) make rules and guidelines on the conduct of petroleum operations and other related matters; and
- (r) performing any other function conferred to it by this Act.

Conduct of functions by PURA

14.-(1) PURA shall exercise and perform its functions and powers in a manner that:

- (a) promote efficiency, economy and safety on the part of licence holder, contractor and sub-contractors on the safe conduct of petroleum operations;
 - (b) ensure licence holder and contractors carry out petroleum operations in accordance with the contractual agreement, licence conditions and international best industry practice;
 - (c) promote competition in petroleum operations;
 - (d) ensure transparency in relation to activities of the petroleum sector; and
 - (e) ensure fairness and balance of interests of the Government and other participants in the industry.
- (2) For the purposes of subsection (1), PURA shall conduct audit of-
- (a) all matters relating to assessment and collection of oil and gas revenues; and
 - (b) costs on exploration, production, development and sale of oil and gas.

Directions by the Minister

15.-(1) The Minister may give directions in writing to PURA with respect to policy to be observed and implemented.

(2) The Minister may, if necessary, cause a copy of any directions given to the PURA under subsection (1) to be published in the *Gazette*.

Directions by PURA

16.-(1) PURA may, in writing give directions to the licence holder or contractor to comply with industry practice.

(2) The licence holder or a contractor shall comply with the directions given by PURA under subsection (1).

(3) Any person who contravenes the provision of subsection (2) commits an offence.

(4) In the proceedings on prosecution for an offence under subsection (1), it shall be a sufficient defence, if the accused person proves that, he promptly took all reasonable steps to comply with the directions.

Compliance with directions

17.-(1) Where PURA is satisfied that a person has committed or is likely to commit an offence against this Act or any other relevant written law it may make a compliance order under this section.

(2) Any person against whom a compliance order is made shall comply with the order.

(3) A compliance order may require a person to refrain from conduct

which is in contravention of the provisions of this Act or any other written law or to take actions required to be taken in order to comply with this Act or any other written law.

(4) A compliance order shall be made in writing specifying the grounds for its making and shall be enforceable as an injunction of the High Court.

(5) Notwithstanding any other written law to the contrary, where an order or a certified certificate is produced or submitted to the High Court, the order or a certificate shall be conclusive proof of its making by the High Court and of the facts to which it relates.

Establishment of
the Board of
PURA

18.-(1) There shall be the Board of PURA to oversee the operation of PURA.

(2) The Board shall consist of five members who are citizens of Tanzania of moral character, proven integrity and professional competence.

(3) The appointment of the Board shall have regard to gender balance.

(4) The Chairman of the Board shall be appointed by the President from amongst persons who possesses qualifications and experience in the petroleum industry on the fields of geosciences, engineering, economics, finance or law.

(5) Other members of the Board shall be appointed by the Minister from amongst persons who holds degree from accredited universities and have a minimum experience of ten years in any of the following fields:

(a) petroleum geosciences or engineering;

(b) health, safety and environment matters;

(c) law;

(d) business administration or management;

(e) finance or economics; or

(f) chemical and processing or refinery engineering.

(6) The Director General shall be the Secretary to the Board.

Functions of the
Board

19.-(1) The Board shall be responsible for the general directions and supervision of PURA.

(2) Without prejudice to subsection (1), the functions of the Board shall be to:

(a) oversee the operations of PURA;

(b) advise the Minister on petroleum related policy and strategic issues;

(c) review and approve business and operating plans, budgets, reports and financial statements of PURA;

(d) establish and approve rules and procedures for appointment, promotion, termination, discipline, terms and conditions of service of the employees of PURA;

(e) provide guidance to the Director General and employees of the PURA; and

(f) perform any other function as may be necessary for implementation of the provisions of this Act.

Disqualification
for appointment
to the Board

20. A person shall not qualify to be a Board member if:

- (a) is a shareholder of any entity operating in or providing services to the petroleum sector or an employee of a licence holder and other contractors;
- (b) is convicted of an offence under this Act or convicted of an offence involving dishonesty or fraud by a competent court in or outside Tanzania;
- (c) is convicted of an offence and sentenced for imprisonment for a term of six months or more by a competent court in or outside Tanzania without option of fine; or
- (d) is undischarged bankrupt or has made any assignment or arrangement with his creditors.

Board to regulate
its own
proceedings

21.-(1) The provision of the First Schedule to this Act shall have effect to the proceeding of the Board.

(2) Subject to the provision of subsection (1), the Board may regulate its own proceedings.

Committees of the
Board

22.-(1) The Board may delegate some of its functions to the committees:

- (a) to inquire into and advise the Board on any matter relating to the functions of the Board; and
- (b) to exercise or perform other functions as directed by the Board;

(2) A committee appointed under subsection (1), shall consist of a chairman and other members of the committee.

(3) Subject to any direction given by the Board, a committee appointed under this section may regulate its own procedure.

Delegation of
power of the
Board

23.-(1) The Board may delegate some of its powers and function to Director General, a member of the Board or any other officer of PURA.

(2) A person aggrieved by the decision of a person to whom functions and powers have been delegated under this section may appeal to the Board.

(3) A person shall, in the exercise of a delegated power under this section, comply with any directions or guidelines as the Board may, from time to time, communicate in writing.

Appointment of
Director General

24.-(1) There shall be a Director General of PURA who shall be appointed by the President after receiving recommendation from the Minister and upon advice of the Board.

(2) The Director General shall be an accounting officer and chief executive officer of PURA.

(3) The Director General appointed under subsection (1) shall be a public servant and a full time employee of PURA.

(4) The Director General shall be a person of moral character and proven

integrity, and shall have qualifications and experience of ten years in the fields of petroleum geosciences, petroleum engineering, petroleum management, petroleum law or petroleum taxation and finance, of which five years shall be at managerial level.

(5) A person shall not be appointed as Director General if is:

- (a) a shareholder of any entity operating in, or providing services to the petroleum sector;
- (b) a member of the board or an employee of a licence holder;
- (c) an undischarged bankrupt;
- (d) convicted of an offence under this Act or convicted of an offence involving fraud or dishonesty by a competent court in Tanzania or outside Tanzania;
- (e) convicted for an offence and sentenced to imprisonment for a term of six months or more by a competent court in Tanzania or outside Tanzania; or
- (f) a person holding political position.

(6) Where a person referred to in subsection (5)(e) is to be appointed as a Director General, such person shall resign from his office before assuming the office of the Director General.

Functions of the
Director General

25.-(1) The functions of Director General shall be to:

- (i) initiate and implement policies and programmes of PURA and report to the Board;
- (ii) ensure that the agreed objectives, targets and service standards of the Board are met;
- (iii) manage the property and employees of PURA;
- (iv) develop and oversee an operational plan so as to guide PURA in the performance of its functions;
- (v) co-operate with lead agencies and organisations in matters relating to petroleum upstream and other related matters;
- (vi) develop an economic, efficient and cost effective internal management structure;
- (vii) provide advice as required on all matters falling within the area of PURA's responsibility;
- (viii) perform functions assigned to him by the Board; and
- (ix) perform any other functions deemed necessary for implementation of the provision of this Act.

(2) The Director General shall, in the performance of his functions, be answerable to the Board.

Tenure of the
office of Director
General

26.-(1) The Director General shall hold office for a period of five years and may be eligible for re-appointment for one more term.

- (2) The Director General shall cease to hold office if:
- (a) he resigns;

- (b) he is declared or become bankrupt, insolvent or has made an arrangement with his creditors; or
- (c) he is convicted of an offence and sentenced to imprisonment for a term of six months or more with a competent court in or outside Tanzania without the option of a fine.
- (3) The Director General may be removed from office for:
 - (a) abuse of office;
 - (b) inability to perform functions of his office arising from infirmity of body or mind;
 - (c) misbehaviour or misconduct; or
 - (d) incompetence.

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(4) Without prejudice to subsection (3), the procedure for removing the Director General from office shall be as prescribed in the Public Service Act.

Other officers and employees of PURA

27.-(1) The Board may from time to time engage staff and employees to the service of PURA on such terms and conditions as it think fit for better implementation of its functions.

(2) The terms and conditions of service of staff and employee of PURA shall, subject to approval by the Treasurer Registrar, be as prescribed in the letter of engagement or employment.

Establishment of nomination committee

28.-(1) Whenever there is to be appointed a member of the Board, the Minister shall establish a nomination Committee composed of -

- (a) the Permanent Secretary of the Ministry responsible for petroleum affairs, who shall be a Chairman;
 - (b) one representative from the Ministry responsible for public service;
 - (c) one representative from the Ministry responsible for environment;
 - (d) one representative from the Ministry responsible for occupational, safety
- (2) The representatives from institutions referred to under subsection (1) (a) to (d) shall be of the rank of assistant director or above.
- (3) Allowances, fees or other expenses incurred by the Nomination Committee shall be paid by PURA.

Functions and meetings of Nomination Committee

29.-(1) The functions of nomination committee shall be to nominate person for appointment as members of the Board.

- (2) The Nomination Committee may take such actions as necessary to identify and attract the best candidates.
- (3) Meetings of the committee shall be convened by the Chairman at such times and places as the Chairman may specify in the notice of the meeting

(b) *Energy and Water Utilities Regulatory Authority*

Powers of
EWURA
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30.-(1) The Energy and Water Utilities Regulatory Authority established under the Energy and Water Utilities Regulatory Authority Act, in this Act invariably referred to as “EWURA”, shall exercise regulatory powers in respect to midstream and downstream petroleum and natural gas activities under this Act.

- (2) Without prejudice to subsection (1), EWURA shall have powers to-
- (a) grant, refuse, renew, suspend and revoke licences to entities undertaking or seeking to undertake mid and downstream regulated activities; and
 - (b) determine and enforce tariffs, rates, charges and fees payable by a licensee in respect of regulated activity.

Functions and
duties of EWURA

31.-(1) EWURA shall perform technical, economic and safety regulatory functions in respect of petroleum activities.

(2) Without prejudice to the general functions conferred upon EWURA under subsection (1), EWURA shall-

- (a) issue, renew, suspend or cancel construction approvals and operational licences;
- (b) monitor petroleum quality and standards;
- (c) initiate and conduct investigations in relating to technical, economic and safety issues in the delivery of service to consumers;
- (d) give any necessary directions to any person granted a licence or approval under this Act;
- (e) charge and collect fees and levies for petroleum sector in accordance with the Energy and Water Utilities Regulatory Act;
- (f) approve applications for tariffs and prices;
- (g) prescribe code of conduct in respect of person who is providing services under this Act;
- (h) prescribe technical, economic and safety standards of services and cause them to be published in the *Gazette* and in at least one Kiswahili and English newspaper of wide circulation;
- (i) monitor environmental and safety impacts in the petroleum services under this Act;
- (j) protect:
 - (i) customers, suppliers and Government’s interests; and
 - (ii) the public from dangers arising from regulated activities;
- (k) promote:
 - (i) access and affordability of gas services;
 - (ii) least-cost investment and security of supply for benefit of customers;
 - (iii) improvements in the operational and economic efficiency of petroleum industry and efficiency in the use of gas;
 - (iv) appropriate standards of quality, reliability and affordability

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- of petroleum;
 - (v) health and safety in the working environment of persons employed in the petroleum industry;
 - (vi) the use of local goods and services produced and provided in Tanzania;
 - (vii) maximum participation of Tanzanians in every part of the petroleum value chain;
 - (viii) efficiency, economy and safety in gas activities; and
 - (ix) competition in petroleum activities in areas open for investments.
- (l) evaluate and monitor impact of activities of the petroleum industry on the environment.
- (m) ensure:
- (i) adequate provision is made for effective Asset Integrity Management by operators of all petroleum infrastructure;
 - (ii) each licensee prepares and tests emergency response plans;
 - (iii) transparency in relation to the activities of the petroleum sub-sector;
 - (iv) fair balance of the interests of the public and other participants in the petroleum sub-sector.
- (n) gather information relating to regulated activities;
- (o) undertake or cause to be undertaken:
- (i) investigations on incidents that result into damage of petroleum infrastructure, injury or loss of life or property;
 - (ii) investigations and enquiries into activities of licensees;
- (p) facilitate resolution of disputes between licensees and customers;
- (q) in consultation with TBS, approve official denomination, technological specifications, standards and quality control norms for all gas imported into or produced in Mainland Tanzania; and
- (r) discharge any other functions incidental or ancillary to the discharge of its duties.
- (3) EWURA shall consult Ministers responsible for national security, lands, environment or petroleum operations before undertaking any duty in relation to the national security, compulsory acquisition of land, preservation of environment or import, export and trading in petroleum.

General principles governing EWURA

32.-(1) EWURA shall discharge its duties and powers in a transparently, objectively, reasonably, non-discriminatorily and in a manner that promotes fair competition.

(2) For the purpose of sub-section (1), EWURA shall submit to the Minister:

- (a) the annual report related to its activities; and
- (b) other reports of its activities relating to oil and gas industry as the Minister may request.

PART III
UPSTREAM PETROLEUM OPERATIONS

Sub-Part I

Management of Petroleum Areas and Reconnaissance Permits

(a) *Management of Petroleum Areas*

Graticulation of
the earth's surface
and constitution
of blocks

33.-(1) PURA shall prepare a reference map which may be revised periodically, showing areas of possible petroleum accumulation divided into graticular sections, on which each shall constitute a block.

(2) For the purpose of this Act, the surface of earth shall be deemed to be divided into sections by-

- (a) meridian of greenwich and meridians that are at a distance from that meridian of five minutes, or multiple of five minutes of longitude; and
- (b) portions of two of those meridians that are at a distance from the equator of five minutes, or a multiple of five minutes, of latitude, each of which is bounded by -
 - (i) portions of two of those meridians that are at a distance from each other of five minutes of longitude; and
 - (ii) portions of two of those parallels of latitude that are at a distance from each other of five minutes of latitude,

and each of such section constitutes a block.

(3) Where an area in respect of which a licence is in force includes one or more than one portion of a block constituted in accordance to subsection (2) the area of:

- (a) that portion shall constitute a block; and
- (b) the remaining portion of the first-mentioned block, not including any part of that area in respect of which a licence is in force, shall constitute a block.

(4) Where a licence ceases to be in force in respect of an area referred to in subsection (3)(a), the Minister may, by notice in writing, determine the area to be amalgamated with another block, being a block:

- (a) constituted as provided for by this section;
- (b) forming part of the graticular section of which the area forms part; and
- (c) that is or are either-
 - (i) a block in respect of which a licence is in force; or
 - (ii) a block constituted under subsection (3)(b).

(5) Where a determination is made under subsection (4)-

- (a) both the area and blocks of which are subject of determination, cease to constitute separate blocks and their areas together shall constitute a single block; and

(b) in respect of the area and a block of which there is a licence in force, the block constituted by determination shall be a block for the remainder of the term of that licence.

(6) In this Act-

(a) a reference to a block constituted by a graticular section includes a reference to a block that is constituted by the area of a part of a graticular section; and

(b) a reference to a graticular section that constitutes a block includes a reference to a graticular section which part only of it constitutes a block.

(7) The reference map prepared pursuant to subsection (1), shall be deposited and made available to the public at the offices of PURA and in its website.

(8) Upon publication of the reference map, any reference in a reconnaissance permit, exploration licence and development licence granted pursuant to this Act to an identified block, shall be treated as a reference to the block so identified on the reference map.

(9) PURA may certify the reference map prepared under sub-section (1) to be a true copy, and such copy may be admissible in proceedings before any court or tribunal as evidence of the contents of the reference map.

Opening,
redefinition and
closure of areas

34.-(1) A decision to open an area for petroleum activities shall be made by the Minister upon approval of the Cabinet.

(2) Prior to opening of areas for petroleum activities, the Minister shall, in collaboration with relevant authorities and in consultation with the Minister responsible for environment, undertake evaluation of various interests in the areas which shall be contained in an the evaluation report.

(3) The evaluation report shall include-

(a) an assessment of the potential for petroleum accumulation in the area; and

(b) a strategic assessment of the social and environmental impact of the potential petroleum activities on:

(i) national development;

(ii) local communities;

(iii) environment and risk of pollution;

(iv) trade and tourism;

(v) agriculture and fisheries;

(vi) potential economic and social impact of the petroleum activities; and

(vii) any other activities related to petroleum industry.

(4) The Minister shall publish the evaluation report in the *Gazette* and website of the Ministry and PURA.

(5) The evaluation report shall specify areas proposed to be opened for petroleum activities, nature and extent of petroleum activities, and effect of the

petroleum activities on relevant interest activities and communities.

(6) An interested person under this section may submit views and comments on evaluation report to the Minister within a period of sixty days from the date of publication.

(7) The Minister shall, after taking into consideration on the report and any views of an interested person, submit recommendation to the Cabinet for approval on whether or not to open an area for petroleum activities.

(8) The Minister shall submit to the Cabinet for information, a report detailing areas to be opened up for petroleum activities, evaluation and assessment conducted based on the impact on social and environment.

(9) The Minister shall publish the decision in the *Gazette*, website of the Ministry and PURA or in any other manner as the Minister may determine.

(10) The decision to redefine boundaries or close an area for petroleum operations shall be made by the Minister.

(11) Sub section (1) to (9) shall apply similarly on the decision of the Minister to redefine or close an area for petroleum operations except the period of receiving views from the public under sub-section (6) shall be at least forty-five days.

(12) Where a decision to redefine the boundaries or to close an open area have detrimental effects to another area covered by a licence existing at the time of the decision, the licence holder shall be consulted by PURA before the decision of the Minister.

(b) Reconnaissance Permits

Application for
reconnaissance
permit

35.-(1) A person intending to carry out reconnaissance surveys shall apply to PURA for a reconnaissance permit.

(2) An application for a reconnaissance permit shall be in a manner prescribed in the regulations and accompanied by the prescribed fee.

(3) A reconnaissance permit shall be for geographically delineated area.

(4) Reconnaissance permits are non-exclusive and may be issued to different persons in respect of different reconnaissance activities in the same area.

(5) A reconnaissance permit shall state:

- (a) date of issuance of permit;
- (b) area to which the permit relates;
- (c) type of data for which the permit is issued;
- (d) conditions on which the permit is issued; and
- (e) duration of confidentiality of data collected.

Duration of
reconnaissance
permit

36. Subject to this Act, a reconnaissance permit shall be granted for a period of not more than three years unless otherwise determined by PURA.

Grant of
reconnaissance

37.-(1) PURA may, on application duly made, issue the reconnaissance

permit	<p>permit within ninety days after receipt of the application.</p> <p>(2) PURA shall publish in Kiswahili or English language all reconnaissance activities in a media or local newspaper widely circulated in Mainland Tanzania.</p>
Activities authorized by reconnaissance permit	<p>38.-(1) A reconnaissance permit shall apply to a particular type of survey and may permit shallow drilling for data calibration purposes.</p> <p>(2) Where reconnaissance permits are issued to two or more persons in the same area, the activities of one permit holder shall not be detrimental to the activities of another permit holder.</p> <p>(3) Where reconnaissance activity is carried out in an area that is declared to be a habitat for wildlife, marine park, game reserve and any other reserved area for such purposes, such activities shall be conducted by taking into consideration breeding and migratory patterns of the wildlife in that area.</p>
Commencement of reconnaissance activities Cap.191	<p>39. A person shall not commence reconnaissance activity unless that person has complied with:</p> <p>(a) the relevant statutory requirement on environment protection prescribed in the Environmental Management Act; and</p> <p>(b) any other relevant laws.</p>
Termination of reconnaissance permit	<p>40. PURA shall terminate a reconnaissance permit if:</p> <p>(a) the permit holder fails to perform obligations issued in the permit or any other law;</p> <p>(b) there is an occurrence of an event of <i>force majeure</i> of definitive nature, which make it impossible for permit holder to fulfil his obligation.</p>
Waiver	<p>41. A reconnaissance permit may lapse on waiver by a permit holder if he performs legal obligations and duties imposed by the permit.</p>
Expiration of permit	<p>42. The reconnaissance permit shall remain valid until:</p> <p>(a) expiry of terms and conditions provided for in the permit;</p> <p>(b) extinction of permit holder; and</p> <p>(c) cancellation of the permit.</p>
Ownership of data	<p>43.-(1) Notwithstanding the right of a permit holder and PURA to use any data and information, data and information acquired in the course of petroleum operations covered by reconnaissance permit shall be the property of the Government.</p> <p>(2) PURA may, in a prescribed manner, authorise the permit holder to sell data and information referred to under sub-section (1).</p> <p>(3) Where the permit holder sells data and information referred to under the subsection (2), the net proceeds from such sale shall be shared in a manner</p>

prescribed in the rules made by PURA.

Sub-Part II
Petroleum Rights, Licences and Agreement

(b) Petroleum Rights and Conditions

Power to grant petroleum rights

44.-(1) The Minister shall have power to grant licence under this Act.

(2) In exercising powers conferred under sub-section (1), the Minister shall take into consideration the advice of PURA.

Exclusive rights conferred to the National Oil Company

45.-(1) The petroleum operations rights shall be granted to the National Oil Company.

(2) The National Oil Company shall have exclusive right over all petroleum rights granted under this Part.

(3) The licence granted to the National Oil Company shall not be transferable to any other person.

(4) The National Oil Company may, subject to the Minister's consent and on advice by PURA, enter into partnership with a Tanzanian or a foreign entity through an open tendering process or a direct award of a block.

(5) The licence granted under subsection (1) shall require the National Oil Company to maintain a participating interest of not less than twenty five per cent.

(4) A company wishing to carry out petroleum operations in Tanzania outside the scope of a reconnaissance permit shall do so together with the National Oil Company.

Persons who may partner with the National Oil Company

46. A person is qualified to enter into partnership with the National Oil Company if-

(a) is a body corporate registered under the Companies Act or any other written law; and

(b) such entity is of recognized capacity, technical knowledge and financial capability.

Consortia and joint operations

47.-(1) Where two or more applicants jointly intend to apply for an award of acreage, the applicants shall enter into an agreement for co-operation for petroleum activities which shall be submitted to the Minister as a condition for entering into agreement.

(2) The Minister may require from the applicant, information of a joint venture composed of specific companies as condition for award of an acreage.

Agreement in respect to grant of right

48.-(1) The Minister may, upon the advice of PURA and on behalf of Government, enter into an agreement with the National Oil Company and its partners with respect to all or any of the following matters:

- (a) grant of a licence;
- (b) conditions for granting or extension of licence; or
- (c) any other matter incidental or connected to paragraphs (a) and (b).

(2) Notwithstanding the provision of subsection (1) the Minister on behalf of the Government shall not enter into an agreement without prior approval of the Cabinet.

(3) PURA shall develop and submit to the Minister a Model of Production Sharing Agreement or any other model agreement to be approved by the Cabinet.

(4) A model production sharing agreement approved by the Cabinet shall be guidance in negotiations of any agreement under this section.

Tendering process

49.-(1) Petroleum agreements shall not be entered unless a transparent and competitive public tendering process is completed.

(2) The Minister shall cause to be published in a newspaper of wide circulation, invitation of tender or subject to subsection(3) the intention to initiate direct negotiations.

(3) Where all or part of the area tendered in a competitive public tender process for an award of an agreement has not become effective, and it is for the public interest, the Minister may, upon the advice of PURA and approval of the Cabinet, initiate direct negotiations with qualified and eligible company.

(4) The Minister may, by regulations, prescribe the manner of conducting tendering process.

Power of Minister and PURA to obtain information

50.-(1) PURA may on application for grant of licence, require the applicant to furnish to PURA within the time specified in the notice -

- (a) further information in connection with the application as PURA may reasonably require; and
- (b) if the applicant is a company or corporation, such information as PURA may reasonably require to enable PURA to ascertain the controlling power whether direct or indirect in the affairs of the company or corporation incorporated within or outside Tanzania.

(2) The Minister may cause investigations, negotiations or consultations to be under taken for purpose of disposing an application for grant of licence.

(3) The Minister may authorize PURA to conduct or carry out on his behalf any investigations, negotiations or consultations referred to in subsection (2).

Reservation of blocks

51.-(1) The Minister may, by notice published in the *Gazette*, declare certain block to be reserved for public interest or to be awarded direct to the National Oil Company.

(2) The block reserved under subsection (1) shall not be subject to the grant of a licence unless the declaration is revoked.

(3) The Minister may, by notice published in the *Gazette*, vary, amend or

revoke any notice published under this section.

(4) Where a licence is awarded to the National Oil Company under subsection (1) the tendering process shall not apply.

(5) The power under subsection (1) or (3) may be exercised by the Minister either on his own motion or upon the advice of PURA.

(c) Petroleum Licences and Agreements

(i) Exploration Licence

Application for
petroleum
exploration
licence

52.-(1) The National Oil Company shall apply for a petroleum exploration licence to the Minister in respect of any block.

(2) An application made under sub section (1)-

(a) shall be accompanied by-

- (i) the applicant's proposals for work and minimum expenditure in respect of the block specified in the application;
- (ii) particulars of technical and petroleum industry qualifications of the applicant and his employees;
- (iii) particulars of technical and petroleum industry resources available to the applicant;
- (iv) particulars of kinds of financial resources available to the applicant, including capital, credit facilities and guarantees; and
- (v) proposals on the local content plan related to the training and employment of citizens of Tanzania.

(b) shall be in respect of not more than forty blocks;

(c) may set out any other matters that the applicant wishes the Minister to consider.

(3) Notwithstanding the provision of subsection (2)(b), the Minister may consider an application in respect of more than forty blocks, and not exceeding eighty blocks if the Minister is satisfied that special circumstances exist which required him to consider the application.

(4) The provisions of sub section (2) (a) shall apply during the tendering process of open acreage in a manner prescribed in the regulations.

(5) Blocks specified in the application for grant of an exploration licence shall be constituted by graticular sections that-

- (a) form a single area; and
- (b) each graticular section in that area has a side in common with at least one other graticular section in that area.

Grant or refusal
of application for
exploration
licences

53.-(1) The Minister may, upon the advice of PURA, grant or refuse to grant an exploration licence in respect of any block constituted by land to which this Act applies.

(2) An exploration licence shall not be granted in respect of a block that

is, at the time the application for licence is made-

- (a) comprised in a licence; or
- (b) reserved by declaration under section 49.

Notice of decision on application for exploration licence

54.-(1) Subject to subsection (2), the Minister shall within sixty days after the date of receiving application notify the applicant of his decision to grant or refuse to grant an application.

(2) The Minister shall give reasons for refusal or conditions for grant of a licence.

Contents of exploration licence

55. An exploration licence shall-

- (a) state the date of the grant of licence;
- (b) identify the exploration area;
- (c) state the terms of licence;
- (d) identify the contractor and operator in cases of partnership; and
- (e) state the conditions referred to in section 55 on which the licence is granted.

Rights and responsibilities conferred by exploration licence

56.-(1) A holder of exploration licence shall have exclusive right to explore petroleum in the exploration area, to carry out operations and execute works as he considers necessary.

(2) Pursuant to the agreement entered under section 46, the licence holder may assign the contractor exclusive rights to conduct exploration activities in the contract area, except where joint operations have been established in the agreement, the contractor shall have exclusive right to conduct petroleum operations in the contract area in accordance with the provisions of this Act on behalf of the licence holder.

(3) Subject to subsection (2), obligations of the licence holder under this Act shall be considered to be obligations of the contractor.

Conditions of exploration licence

57. Subject to this Part and to any conditions specified in the licence, an exploration licence shall be valid-

- (a) for a period of not exceeding four years commencing from the date on which the licence is granted;
- (b) in case the licence period is extended, for a further period, not exceeding three years in respect of a first extension, and a further period not exceeding two years in respect of a second extension; and
- (c) in case the licence is extended under section 58, for a further period specified by the Minister upon grant of the extension.

Application for extension of exploration licence

58.-(1) The holder of an exploration licence may apply for the extension of the licence in respect of any block in the exploration area.

(2) An application under this section may be made twice in respect of any exploration licence.

(3) An application under this section-

(a) shall, subject to subsection (4), be made not later than ninety days before the day on which the licence is due to expire;

(b) shall be accompanied by-

(i) particulars of the work carried out in, and amount expended in respect of exploration area during the term of the licence and including the date of application or where the application is for second extension of licence, during the period of the first extension of the licence and including the date of the application; and

(ii) adequate proposals of the applicant for work and minimum expenditure in respect of the block identified in the application during the extension period applied for; and

(c) may set out any other matters that the applicant requires the Minister to consider.

(4) The Minister may accept an application for extension of an exploration licence later than ninety days and not, in any case, after the date of expiry of licence.

(5) The requirement of subsection (3)(b)(ii) with respect to adequate proposals shall be deemed to have been met if the proposal accompanying an application complies with requirements in respect of work and expenditure contained in a relevant agreement relating to grant of licence.

Application for extension to be in respect of reduced area

59.-(1) Subject to a relevant agreement in respect of grant of licence, the number of blocks of which an application for extension of an exploration licence may be made, shall not exceed the number that is the sum of-

(a) number of blocks subject to the licence that at the date on which the licence would expire, if not extended, were a location; and

(b) one half of the number of blocks in respect of which the licence was issued or last renewed.

(2) Subject to a relevant agreement with respect to grant of licence, the blocks specified in an application for the extension of an exploration licence shall be blocks that relate to graticular sections that-

(a) constitute a single area or not more than three discrete areas; and

(b) each graticular section in each area has a side in common with at least one other graticular section in that area.

(3) The area to be relinquished shall be contiguous and compact and of the size and shape that permit the effective conduct of the petroleum activities in the relinquished area unless otherwise determined by the Minister after consultation with PURA.

Grant or refusal for extension

60.-(1) The Minister may upon advice of PURA, grant an extension of the licence on the application duly made for extension of exploration licence.

(2) The Minister may, upon the advice of PURA, refuse to grant the

extension for an exploration licence if-

- (a) the holder of the licence is in default unless the Minister considers that special circumstances exist which justify the granting of extension notwithstanding the default; or
- (b) the proposal with respect to work and expenditure during the extension which accompanying the application is not adequate.

(3) The Minister shall not allow variation to the work period, unless the Minister upon the advice of PURA considers that special circumstance exist which justify the variation of the work period.

(4) The Minister shall not refuse to grant the extension of an exploration licence on application unless-

- (a) he has given to the applicant notice of his intention to do so by stating:
 - (i) in the notice, particulars of the grounds for the intended refusal; and
 - (ii) a date before which the applicant may take remedial action or make representations in relation to that ground; and
- (b) the applicant has not remedied the default or made appropriate amendments to his application or made representations which, in the opinion of the Minister, remove the ground for the intended refusal.

(5) The Minister shall notify the applicant in writing of his intention to grant extension for exploration licence.

(6) The notification to grant extension under subsection (5) shall contain particulars of any variation of the conditions of licence which are required to give effect to the application for extension including amendments to the grant of extension.

(7) Upon receipt of the notice under subsection (5) from the Minister, the applicant shall, within sixty days respond his willingness to accept extension and where he fails to do so, the extension shall lapse.

(8) Where-

- (a) an application for the extension of an exploration licence has been duly made; and
- (b) the licence expires-
 - (i) before the Minister grants, or refuses to grant the extension of the licence; or
 - (ii) before the application lapses under sub-section (7),

the licence shall be deemed to continue in force until the Minister grants or refuses to grant the extension of licence, or lapses of application, whichever first occurs, unless the licence is cancelled or the application for extension is withdrawn.

exploration
licence in respect
of location

- (a) petroleum is discovered in an exploration area within the period of two years before the date of expiration of an exploration licence that has been extended twice under section 58; and
 - (b) the Minister has made a declaration of a location under section 65, or the holder of the licence has nominated a block under that section for purpose of a declaration of a location,
the Minister shall, upon advice of PURA, grant a further extension of the licence in respect of the block to which paragraph (b) applies.
- (2) A further extension granted under subsection (1) shall be-
- (a) for a period not exceeding three years; and
 - (b) subject to any conditions that the Minister consider necessary and specifies in the licence.
- (3) Where, before expiration of an exploration licence that included blocks that constitute a location, the holder of the licence-
- (a) makes application for an extension or a further extension of the licence in respect of some or all blocks; and
 - (b) satisfies the Minister that-
 - (i) the blocks contain all or part of a petroleum reservoir, and
 - (ii) the construction, establishment and operation of facilities for the recovery of petroleum is not economically feasible,the Minister may upon the advice of PURA, grant an extension or a further extension for the period not exceeding one year.

Conditions of
grant of
exploration
licence

62.-(1) In addition to conditions contained in an exploration licence under section 67(1), or any extension of that licence under section 58 or 59 the holder of licence shall:

- (a) not later than one month before the anniversary in any year of the grant of licence, submit to PURA in detail an adequate programme with respect to work and expenditure to be carried out or made in the year of the licence immediately and the programme so submitted shall be considered to constitute a requirement of the licence with respect to work and expenditure; and
 - (b) in relation to exploration area and subject to subsection (3), meet the requirements of his licence in respect to work and expenditure.
- (2) The requirement of subsection (1)(a) shall be adequate and be deemed to have been met where the programme submitted satisfies the requirement related to work and expenditure contained in a relevant agreement in respect of grant of licence.
- (3) The Minister may on application made to him by the holder of an exploration licence and after being advised by PURA, limit, reduce, vary or suspend any obligation arising pursuant to subsection (1)(b), either conditionally or unconditionally.

(ii) *Discovery of petroleum*

Discovery of petroleum to be notified

63.-(1) Where petroleum is discovered in an exploration area, the holder of licence shall-

- (a) within forty eight hours after discovery, submit in writing a notification of discovery to the Minister and PURA before submitting such notification to the third party;
- (b) submit a draft announcement to the Minister;
- (c) not make any announcement with respect to discovery before the announcement of the Minister;

(2) Upon receipt of the draft announcement submitted under subsection (1)(b), the Minister shall within five working days after consultation with PURA, consent on the proposed announcement.

(3) The Minister shall within two working days after being advised by PURA, make or cause to be made an announcement.

(4) Within a period of thirty days after the date of the discovery, furnish to PURA particulars in writing of the discovery and within ninety days from the date of discovery, state whether the discovery merits the appraisal or not

Directions of PURA on discovery of petroleum

64.-(1) Where petroleum is discovered in an exploration area on merits appraisal, PURA may, by notice in writing served on the licence holder, direct the holder of licence to do such things within the period specified in the notice as PURA thinks necessary to ascertain chemical composition and physical properties of the petroleum.

(2) Subject to subsection (3), where petroleum is discovered in an exploration area, the licence holder shall take all steps to ascertain the quantity of petroleum in the -

- (a) petroleum reservoir to which the discovery relates; or
- (b) if part only of that reservoir is within the exploration area, in the part of that reservoir that is within the exploration area.

(3) PURA may exempt, wholly or partly, the requirement referred to under subsection (2) the holder of a licence either unconditionally or subject to conditions specified in the notice exemption.

(4) A person who fails or refuses to comply with the directions given under subsection (1) commits an offence and shall be liable on conviction to a fine not less than fifty million shillings or to imprisonment for a term of three years.

(5) Within the period provided for by PURA under subsection(1), a licence holder shall notify the Minister in writing whether or not there is discovery of crude oil or natural gas and shall:

- (a) at the same time notify PURA whether the discovery is of eventual commercial interest or of present commercial interest;
- (b) inform PURA that in its opinion, by using the best international petroleum practices, the discovery is not of potential commercial interest as a standalone or as part of an aggregated production,

(6) Subject to subsection (5)(b), where the holder of a licence finds that the discovery is not of potential commercial interest, the holder of a licence shall relinquish such discovery by comprising the geological feature as outlined by relevant seismic data in which the discovery is located.

Declaration of location

65.-(1) Where petroleum has been discovered in a block within an exploration area, not being a block that is or is included in a location, or is not a block that has a side in common or touches the discovery block, PURA may upon receipt of a request from the licence holder declare by a notice published in the *Gazette*-

(a) discovery block and not more than eight adjoining blocks within the exploration area that are nominated by the holder; and

(b) in any other case, the discovery block and adjoining blocks not exceeding eight in number as PURA thinks fit to be a location for the purposes of this Act.

(2) At the request of holder of exploration licence PURA may, by notice published in the *Gazette*-

(a) include in a location, additional adjoining blocks; or

(b) revoke the declaration of a location in respect of one or more than one block,

provided that, such location shall not at any time include more than nine blocks.

(3) The application under subsection (1) shall be made within twelve months after the date of discovery.

(4) For the purposes of this section-

(a) “block adjoins a discovery block” means the graticular section that constitutes or includes first mentioned block that has a side in common with or touches-

(i) discovery block; or

(ii) any block that has a side in common with or touches the discovery block;

(b) “discovery block” means a block in which petroleum is discovered.

Appraisal and investigations of locations

66.-(1) Where a location is declared as discovery block, PURA may direct, by a written notice served on the holder of exploration licence, direct the licence holder to carry out investigations and studies within a period of not less than three years in a case of crude oil and four years in case of natural gas, so as to assess feasibility of construction, establishment and operation of industry for recovery of petroleum from the location.

(2) The investigations and studies referred to in subsection (1) may include-

(a) appraisal program for purpose of delineating the reservoir to which the discovery relate in terms of thickness and lateral extent and estimating the quantity of recoverable petroleum in the reservoir;

(b) technical and economic feasibility studies relating to recovery,

- processing and transport of petroleum from the location;
- (c) studies of proposed sites for facilities that are required by industry referred to in subsection (1);
- (d) studies of port or berthing facilities, and roads, pipelines or other transportation facilities;
- (e) investigations into-
 - (i) suitable water facilities and reticulation systems for industrial and town purposes;
 - (ii) location and design of a suitable airstrip and associated landing and terminal facilities, if so required for that industry; and
 - (iii) generation and transmission of electricity as so required for that industry;
- (f) investigations into development, if so required, of a suitable town for the industry referred to in subsection (1), including the design of housing facilities and associated civic, cultural and social facilities;
- (g) investigations of any other works, services or facilities that may be required for that industry in relation to the location;
- (h) studies of future labour requirements for the industry; and
- (i) physical impact studies into the possible effects of that industry on environment.

(3) The holder of an exploration licence shall furnish to PURA, within the period specified in the notice under subsection (1), reports, analysis and data resulting from investigations and studies carried out under this section as PURA may, by written notice on the holder, require.

(iii) Development Licences

Application for
development
licence

67.-(1) A holder of an exploration licence whose licence is in force in respect of blocks that constitute a location may, within three years in case of crude oil and two years in case of natural gas from the date on which the blocks were declared to be location or such further period as the Minister allows, make application for development licence in respect of such blocks which containing petroleum reservoir or a part of a petroleum reservoir.

(2) The holder of an exploration licence may make application for development licence in respect of any block within exploration area if -

- (a) he satisfies the Minister that the block contains petroleum reservoir or part of a petroleum reservoir; and
- (b) the block does not, at the time of making of application which constitute a location.

(3) A person who is not a holder of exploration licence in respect of a block may make application of development licence in respect of a block if he satisfies the Minister that the block -

- (a) contains petroleum reservoir or part of a petroleum reservoir; and

(b) is not a block in respect of which the exploration licence or a development licence is in force at the time of the application.

68. An application for development licence shall be accompanied by a Development Plan which shall contain particulars of-

- (a) applicant's proposals for development and production of reservoir, including method for use or disposal of associated gas;
- (b) Detail proposals by the applicant for the construction, establishment of all facilities and services incidentals to the recovery, processing, storage and transportation of petroleum from the processed development area;
- (c) applicant's assessment of whether development and production of the reservoir shall be subject to unitisation or joint petroleum activities in accordance with the provisions of this Act;
- (d) applicant's assessment on how to coordinate petroleum activities with other licencees, including joint use of facilities is in accordance with the provisions of this Act and any other law;
- (e) manner in which development and production of reservoir is to be financed;
- (f) applicant's proposals relating to spacing, drilling and completion of wells and facilities required for production of petroleum including-
 - (i) estimated number, size and production capacity of production platforms, if any;
 - (ii) estimated number of production wells;
 - (iii) particulars of production equipment and facilities;
 - (iv) particulars of feasible alternatives for transportation of petroleum including pipelines;
 - (v) particulars of onshore and offshore installations required, including type and specifications or size of installations; and
 - (vi) particulars of other technical equipment required for operations;
- (g) estimate production profiles for crude oil or natural gas from petroleum reservoirs;
- (h) cost estimates of capital and recurrent expenditures of the project;
- (i) economic feasibility studies carried out by licence holder in respect of discovery, by taking into account-
 - (i) location;
 - (ii) water depth, if applicable;
 - (iii) meteorological conditions;
 - (iv) cost estimates of capital and recurrent expenditures of the feasibility study; and
 - (v) any other relevant data and evaluation of that data;
- (j) safety measures to be adopted in the course of development and production of petroleum, including measures to deal with

emergencies;

- (k) environment impact assessment in respect of development, including the necessary measures to be taken for protection of environment;
- (l) applicant's proposals for employment and training of citizens of Tanzania;
- (m) applicant's proposals with respect to procurement of goods and services from Tanzania;
- (n) estimate of time required to complete each phase of the development plan;
- (o) effects on land use;
- (p) information on how facilities may be disposed of when petroleum activities ceased;
- (q) development if planned in two or more phases, the information shall be based on full development to the extent possible; and
- (r) any other matters as the Minister may consider necessary.

Disposal of application

69.-(1) Subject to this section, section 70 and to any agreement with respect to grant of licence-

- (a) on application duly made under section 67(1) or (2), the Minister shall grant development licence on such conditions as deemed necessary to give effect to the application for the licence, including amendments thereto; or
- (b) on application duly made under section 67(3), the Minister may grant development licence on such conditions or refuse to grant in respect of any block constituted by land to which this Act applies.

(2) For purpose of disposing an application for grant of development licence, the Minister may, by notice given to the applicant require the applicant to furnish, within a period specified in the notice, such proposals, in addition to or by way of alteration to any proposals that have already been furnished as the Minister specifies in the notice, including proposals relating to any of the matters referred to in section 66(2).

(3) The Minister shall not grant development licence under subsection (1) without prior approval of the Cabinet.

Restriction on grant of development licence

70.-(1) A development licence shall not be granted to an applicant unless-

- (a) the proposals of applicant ensure most efficient beneficial and timely use of petroleum resources concerned;
- (b) the applicant has adequate financial resources, technical and industrial competence and experience to carry out effective production operations;
- (c) the applicant is able and willing to comply with the conditions on which the licence is granted;
- (d) any relevant right given is exercised and is given effect or

arrangement is made for that purpose or right is waived; and
(e) the applicant is not in default.

(2) The Minister shall not refuse application for development licence under subsection (1) unless the Minister has-

- (a) given notice to the applicant of his intention to refuse to grant licence by giving reasons for grounds of refusal; and
- (b) specified in that notice a date on which the applicant may intend to remove a ground for refusal or remedy the default or make representations in relation to the applicant if he has not, before that date-
 - (i) given notice to the Minister containing proposals or representations which the Minister accepts; or
 - (ii) remedied the default.

Notice of decision on application for development of licence

71.-(1) The Minister shall, upon advice of PURA-

- (a) give notice of his decision to the applicant of development licence; and
- (b) if the Minister is prepared to grant licence, give details of the proposed licence.

(2) Where the Minister is prepared to grant a development licence pursuant to subsection (1) and the applicant fails to notify the Minister of his willingness to accept the proposed development licence within sixty days after the applicant is given notice, his application shall lapse.

Contents of the development licence

72. A development licence shall-

- (a) state date of grant of licence;
- (b) identify the development area;
- (c) state conditions on which the licence is granted; and
- (d) contain conditions with respect to duty of holder of development licence to supply petroleum to meet domestic needs of Tanzania.

Rights conferred by development licence

73. A development licence while it remains in force, confers on the licence holder, subject to this Act and to the conditions specified in the licence or to which the licence is otherwise subject, exclusive rights to -

- (a) carry on exploration operations in the development area;
- (b) carry on development operations in the development area;
- (c) sell or otherwise dispose of petroleum recovered; and
- (d) carry on operations and execute works in the development area as necessary for or in connection with any matter referred to in paragraphs (a), (b) or (c).

Term of development licence

74. Subject to this Part and conditions specified in the licence, a development licence shall be valid-

- (a) for a period not exceeding twenty five years commencing on, and

Application for extension of development licence

- including the date on which the licence is granted; and
- (b) where licence is extended under section 75 for further period, not exceeding fifteen years, as the Minister considers appropriate to recover from development area maximum amount of petroleum based on the best petroleum practice.

75.-(1) The holder of development licence may apply to the Minister for an extension of licence.

(2) An application under this section may be made once in respect of any extension of development licence.

(3) An application under this section-

(a) shall, subject to subsection (4), be made not later than twelve months before the day on which the licence is due to expire;

(b) shall be accompanied by particulars of-

(i) work carried out, petroleum recovered and amounts expended and received in respect of development area up to and including a date not earlier than one month preceding the date of application; and

(ii) proposals of applicant for work and expenditure in respect of development area during the extension period applied for; and

(c) may set out any other matters which the applicant requires the Minister to consider.

(4) The Minister may accept an application for extension of development licence later than twelve months before, and not after the date of expiry of the licence.

Grant or refusal of extension of development licence

76.-(1) The Minister shall, on application duly made for the extension of a development licence and after being advised by PURA and upon approval of the Cabinet, grant an extension of licence.

(2) The Minister shall, after being advised by PURA, refuse to grant the extension of a development licence if the licence holder is in default, unless the Minister discovers that special circumstances exist which justify the granting of the extension notwithstanding the default.

(3) The Minister shall not refuse to grant the extension of a development licence on application being duly made under section 75-

(a) unless he has given to the applicant notice of his intention to do so by-

(i) giving in the notice particulars of the ground for the intended refusal; and

(ii) stating a date before which the applicant may take appropriate action or make representations in relation to that ground; and

(b) if the applicant has not, before that date, remedied the default or, in a notice given to the Minister, made representations which, in the opinion of the Minister, remove the ground for the intended refusal.

(4) The Minister shall, after being advised by PURA, give notice to an

applicant for the extension of a development licence of his decision on the application and, if he is prepared to grant the extension, he shall give particulars of any variation of the conditions of the licence which are required to give effect to the application for extension, including amendments thereto and which shall have effect on the grant of the extension.

(5) If an applicant, within sixty days after he is given notice pursuant to subsection (4) that the Minister is prepared to grant the extension of a development licence, fails to notify the Minister of his willingness to accept the extension of the licence as proposed, his application shall lapse.

(6) Where-

(a) an application for the extension of a development licence has been made; and

(b) the licence expires-

(i) before the Minister grants, or refuses to grant, the extension of the licence; or

(ii) before the application lapses under subsection (5),

the licence shall be deemed to continue in force until the Minister grants or refuses to grant the extension of the licence, or the application so lapses, whichever first occurs.

Production permit

77.-(1) Upon the advice of PURA, the Minister -

(a) shall, before or during grant of development licence, approve the production schedule contained in the development plan and issue an annual production permit to the licence holder;

(b) may, upon application from the licence holder, approve for a fixed period of time, the quantity of petroleum which may be produced or injected at all times;

(c) may stipulate that production shall be increased or reduced in relation to the approved production plan and apportion the increase or reduction proportionately between relevant reservoirs and give special consideration to long-term agreements for supply of petroleum;

(d) shall, upon application made by the licence holder, approve test production of a reservoir, duration, quantity and other conditions for test production;

(e) shall require a licence holder to produce a report on field related matters, including alternative schemes for production, if applicable, injection and total recovery factor for various petroleum production schedules.

(2) An application under subsection (1) (b) shall be submitted in form, at such times and contents as may be prescribed in the regulations.

Revocation of
declaration of

78.-(1) Where, in respect of a block included in a location, the holder of exploration licence does not apply for a development licence within -

location

- (a) a period of two years following the declaration of location under section 65(1); or
- (b) any further period that the Minister allows under section 67(1) for application of a development licence,

the Minister may, upon advice of PURA and by notice published in the *Gazette*, revoke the declaration of the location.

(2) Where the declaration of a location is revoked under subsection (1), that part of the location which consists of-

- (a) the block that was the discovery block within the meaning of section 65(6); and
- (b) any adjoining blocks in which the presence of petroleum has been established when that declaration is revoked,

shall cease to be subject to the exploration licence concerned.

(3) Where all applications made under section 67(1) for a development licence in respect of a block that is included in a location have lapsed, the exploration licence shall be revoked in respect of that block.

(4) Where an exploration licence is revoked under subsection (2), the Minister shall, by notice published in the *Gazette*, revoke declaration of the location so far as it included that block.

Unit development

79.-(1) A holder of a development licence may enter into an agreement in writing for, or in relation to, the unit development of a petroleum reservoir.

(2) The Minister shall, upon advice of PURA and on application made to the Minister in writing by the licence holder of a development licence in whose development area there is a part of a particular petroleum reservoir, for purpose of securing more effective recovery of petroleum from that petroleum reservoir, direct any such licence holder whose development is included as part of that petroleum reservoir-

- (a) to enter into an agreement in writing with the person and within the period specified by the Minister or in relation to the unit development of the petroleum reservoir; and
- (b) to forthwith lodge agreement with the Minister through PURA for approval and registration in accordance with the provisions of Sub-Part II Division (b) relating to transfers and registration.

(3) Where-

- (a) a licence holder is directed under subsection (2) to enter into an agreement for or in relation to the unit development of a petroleum reservoir has not entered into such an agreement within the specified period; or
- (b) a licence holder enters into such an agreement but the agreement is not lodged with the Minister in accordance to subsection (2) or if lodged, is not approved under section 87(1),

the Minister may, upon advice of PURA and by notice in writing served on the

licence holder, direct the licence holder to submit to the Minister, within the period specified in the notice, a scheme for or in relation to the unit development of the petroleum reservoir.

(4) An agreement under this section shall be an instrument to which provisions relating to transfer and registration under this Act apply.

(5) Where petroleum accumulation extends beyond the jurisdiction of this Act, the Minister, upon advice of PURA, shall carry out strategies to render unit development in cooperation with the foreign country of jurisdiction on which the accumulation extend with a view to ensure the correct apportionment of the accumulation and the most efficient co-ordination of petroleum operation.

(6) For purposes of this section, “unit development” in relation to a petroleum reservoir, means the co-ordination of operations for the recovery of petroleum being carried on or to be carried on in a development area in which there is part of the reservoir, with other operations for the recovery of petroleum being carried out or to be carried out in any other area in which there is part of the same reservoir, such coordinated operations to be undertaken as a single development area.

Directions as to
recovery of
petroleum

80.-(1) Where petroleum is not recovered in a development area and PURA is satisfied that there is recoverable petroleum in that area, PURA may, by notice in writing served on the licence holder of development licence, direct such holder to take all necessary and practicable steps to recover that petroleum.

(2) Where PURA is not satisfied that the licence holder to whom the direction has been given under subsection (1) is taking all necessary and practicable steps to recover petroleum, PURA may, by notice in writing served to the licence holder, give specific directions as it thinks necessary in respect to the recovery of petroleum in the development area.

(3) Where petroleum is recovered in a development area, PURA may by notice in writing served to the licence holder of the development licence to take all necessary and practicable steps to increase or reduce the rate of petroleum recovered to such rate not exceeding the capacity of existing production facilities.

(4) Where PURA is not satisfied that a licence holder to whom the direction is given under subsection (3) is taking all necessary steps to increase or reduce the rate at which petroleum is being recovered, PURA may, by notice in writing served to the licence holder, issue to the licence holder such specific directions as it thinks necessary for or in relation to the increase or reduction of the rate at which petroleum is being recovered in the development area.

(5) Nothing in this section or in any direction given under this section by PURA shall be construed as requirement of the holder of a development licence to do anything which is not in accordance with best petroleum international practices.

Restriction on

81.-(1) A licence holder shall not exercise any of his rights under the

exercise of rights
under licence

licence or under this Act-

- (a) without written consent of the Minister in respect of-
 - (i) any land dedicated or set apart for any public purpose other than mining;
 - (ii) any land dedicated as a place of burial;
 - (iii) any land which is the site of or is within one hundred metres of any building, reservoir or dam owned by the Government;
 - (iv) any land forming part of a licenced or Government aerodrome or of any Government landing ground, or which is within one thousand metres of the boundaries thereof;
 - (v) any land on which there is an installation or on land which is within one hundred metres of the boundaries thereof; or
 - (vi) any reserved area, or any protected monument, declared under the Antiquities Act;

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- (b) without the written consent of the lawful occupier in respect of any land-
 - (i) which is the site of, or which is within two hundred metres of, any inhabited, occupied or temporarily occupied house or building;
 - (ii) within fifty metres of land which has been cleared or ploughed or otherwise prepared in good faith for the growing of agricultural crops or upon which agricultural crops are growing;
 - (iii) from which, during the year immediately preceding, agricultural crops have been reaped; or
 - (iv) forming part of an aerodrome, other than an aerodrome referred to in paragraph (a)(iv):

Provided that where any consent so acquired is in the opinion of the Minister, being unreasonably withheld, the Minister may, on such conditions impose, direct that the need for the consent shall be dispensed with, and in that event this paragraph shall not have effect in so far as it requires the consent of the lawful occupier to be given.

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Cap. 323,
Cap.283,
and Cap.284

- (c) in respect of land in a national park declared under the National Parks Act, Forests Act, in any game reserve declared under the Wildlife Conservation Act or in the conservation area established under the Ngorongoro Conservation Area Act except with the written consent of PURA having control over the park, or reserve area;
- (d) in respect of any land reserved for the purpose of any railway, or which is within one hundred metres of the boundaries of any land so reserved, without the written consent of the responsible railway Authority;
- (e) in respect of any land within any city, municipality, township, minor settlement or demarcated trading settlement, except with the written

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- consent of licence holders of surface rights and of the responsible Minister or relevant authority having control over trading settlement;
- (f) in respect of any street, road or highway, and within one hundred metres of any bridge, public ferry, culvert or drift in any street, road or highway, pipeline or power line, except with the written consent of the responsible Minister or of relevant authority having control of the street, road, highway, bridge, ferry, culvert, drift, pipeline or power line;
 - (g) in respect of any land over which a mining licence has been granted or saved under the Mining Act, and is still subsisting, without the written consent of the Minister; or
 - (h) in respect of any area of land which is specified under the Mining Act.

(2) Any dispute as to whether or not subsection (1)(b) applies in respect of any land, shall be dealt with in accordance relevant laws.

(3) Any consent of the Minister or responsible Minister under this section may be given unconditionally or subject to such conditions as specified in the instrument of consent.

(4) For the purpose of this section, “responsible Minister”, means the Minister for the time being having responsibility for that matter.

Sub-Part III

Surrender, Cancellation and Suspension of Licences and Transfers and Registration Records

(a) Surrender, suspension and Cancellation

Surrender of licence

82.-(1) The licence holder who wishes to surrender all or any of the blocks subject to the licence shall apply to the Minister for a certificate of surrender, in respect of a block, not less than ninety days before the date on which he wishes to surrender to have effect.

(2) An application under subsection (1) shall-

- (a) state the date on which the applicant wishes the surrender to have effect;
- (b) In the case some of the blocks subject to the licence are to be surrendered, identify only the block to be surrendered;
- (c) give particulars of exploration or development operations carried on since the licence was granted or last extended, whichever is the later, in respect of the blocks to be surrendered; and
- (d) be supported by records and reports in relation to such operations as the Minister may reasonably require.

(3) Subject to subsections (4) and (5), where the application is duly made under subsection (1) the Minister shall issue a certificate of surrender either unconditionally, or subject to such conditions as specified in the certificate, in

respect of the blocks to which the application relates.

(4) The Minister may, before issuing a certificate of surrender under subsection (3) seek advice of PURA.

(5) The Minister shall not issue a certificate of surrender-

- (a) to an applicant who is in default;
- (b) to an applicant who fails to comply with the requirement of the Minister in accordance to subsection (2)(d); or
- (c) if the decommissioning pursuant to this Act has not been completed;
- (d) if the Minister is not satisfied that the applicant shall leave the blocks to be surrendered on which the exploration or development operations have been carried on in conditions which are safe and which accords with best international petroleum industry practices .

Effect of
certificate of
surrender

83.-(1) Where a certificate of surrender is issued, the Minister shall-

- (a) if not all of the blocks subject to an exploration licence or a development licence are surrendered, amend the licence accordingly; or
- (b) in any other case, cancel the licence.

(2) Without prejudice to subsection (1), where the Minister amends or cancels the licence as a consequent of issuance of a certificate of surrender, the Minister shall notify in writing the applicant on the amendment or cancellation of the licence.

(3) Any block in respect of which a certificate of surrender is issued shall be treated as having been surrendered with effect from the date on which notice of surrender of certificate is given to the applicant pursuant to subsection (1).

(4) The surrender of any block shall not affect any liability incurred before the date on which the surrender is effected in respect of the block, and any legal proceedings that might have been commenced or continued in respect of liability against the applicant for certificate is commenced or continued against that applicant.

Suspension or
cancellation of
licence

84.-(1) Where the licence holder is in default, the Minister may, upon consultation with PURA and by notice in writing served to the licence holder, suspend or cancel the licence.

(2) The Minister shall not suspend or cancel a licence on the ground of any default unless the Minister has-

- (a) by notice in writing served on the licence holder, issued not less than thirty days notice of his intention to suspend or cancel the licence on that ground;
- (b) specified a date which the licence holder may, in writing, submit any matter which he wishes the Minister to consider; and
- (c) taken into account-
 - (i) any action taken by the licence holder to remove that ground or to prevent the recurrence of similar grounds; and

(ii) any matters submitted to him by the licence holder pursuant to paragraph (b).

(3) The Minister shall not suspend or cancel a licence on the ground of any default in the payment of any amount payable under this Act if the licence holder, before the date specified in a notice referred to in subsection (2), pays the amount of money concerned together with any interest payable.

(4) The Minister may, after consultation with PURA and by notice in writing served on the licence holder, cancel the licence if -

(a) the licence holder enters into any agreement or scheme of composition with his creditors or takes advantage of any law for the benefit of debtors; or

(b) an order is made or a resolution is passed of winding up the affairs of the company or corporation, unless the winding up is for purpose of amalgamation and the Minister has consented to the amalgamation, or is for the purpose of reconstruction and the Minister has been given notice of the reconstruction.

(5) Where two or more persons have interest on the licence, the Minister shall not, under subsection (4), cancel the licence on the occurrence, in relation to one or more persons having interest in the licence, of an event entitling the Minister to cancel the licence, if any other person with interest on the licence satisfies the Minister that the person is willing and able to carry out duties and obligations of the licence holder.

(6) On the cancellation of a licence, the rights of the licence holder shall cease, but the cancellation shall not affect any liability incurred before the cancellation of licence and any legal proceedings that might have been commenced or continued against such licence holder.

(b) Transfers and Registration Records

Petroleum
Registry

85.-(1) PURA shall establish and maintain a registry of petroleum agreements, licences, permit authorisations and any change in interests of an existing petroleum agreement, permit or licence.

(2) The Petroleum Registry shall contain information on the licence, permit or petroleum agreements as prescribed, including applications for grants, assignments, renewal, surrender, termination, revocation, and other relevant particulars .

(3) Each petroleum agreement and each licence or permit shall be given in a separate sheet in the registry.

(4) PURA shall keep a journal of documents to be registered.

(5) The Petroleum Registry shall contain a record of any court decision including arbitration, award, deeds or instruments related to the licence.

(6) Any person may request access to information in the Petroleum Registry, and the information registered shall be public except as otherwise provided by law.

Interest in licence to be created by instrument in writing

86.-(1) A legal or equitable interest in, or affecting a licence shall not be capable of being created, transferred, assigned, effected or dealt with whether directly or indirectly, except by instrument in writing.

(2) The creation of a legal or equitable interest in, or affecting a licence, shall not affect the liability of the licence holder for any breach of the conditions of the licence or of any of the provisions of this Act.

Transfer of interest in a licence to be approved by Minister

87.-(1) Unless the Minister approves an instrument by which a legal or equitable interest in, or affecting a licence is created, assigned, effected or dealt with, whether directly or indirectly, the transfer, or the instrument in so far as it operates, shall be of no effect.

(2) An application for approval of transfer of an instrument shall be made to the Minister and shall be accompanied with:

- (a) an undertaking that the transferee is capable of discharging obligations of the transferor;
- (b) certificate of incorporation or compliance by the transferee;
- (c) transfer agreements between transferee and transferor;
- (d) certificate of tax clearance from the Tanzania Revenue Authority ;
- (e) an integrity pledge by the transferee;
- (f) particulars of technical and industrial qualifications of the transferee and of his employees;
- (g) particulars of the kinds of financial resources available to the transferee, including capital, credit facilities and guarantees so available;
- (h) particulars of technical and industrial resources available to the applicant;
- (i) proposals with respect to the training and employment of Mainland Tanzanian; and
- (j) any other matter as the Minister may consider necessary.

(3) Subject to subsections (4) and (5), on application duly made under subsection (2), the Minister may grant or refuse to grant approval subject to any condition as the Minister considers necessary to impose.

(4) The Minister may, upon consultation with PURA, approve transfer of interest in a licence if a transferee is not a person disqualified from holding an interest in a licence under any provision of this Act or any other written law

(5) A transferor of an interest in a licence shall ensure continuity of the petroleum operations under the licence until such operations are taken over by transferee.

(6) The Minister shall announce without delay an approval of an assignment or change of ownership at least two widely newspapers and media.

(7) The National Oil Company shall have the right of first refusal to acquire the participating interest that a member of contractor part intends to assign to a non- affiliate.

(8) For purpose of subsection (1) (a) “transfer of an interest in a licence” includes a transfer of an interest in a licence by operation of law.

Minister may
require
information

88. The Minister may require any person who makes application to furnish to PURA such information to enable him to dispose the application, and the applicant shall comply with the requirement.

Sub-Part IV
Information and Documentation

Information, data
and reports

89.-(1) All petroleum data generated under this Act shall be owned by the Government.

(2) The licence holder and contractor shall give copies of data generated under subsection (1) to PURA free of charge.

(3) PURA may permit the licence holder, contractor and subcontractor to market the rights of use data on terms to be agreed upon.

(4) The licence holder or contractor shall not export any core, cuttings, rock samples, fluid samples or any other data collected without the written authorisation of PURA.

(5) PURA shall establish the National Oil and Gas Resource Data Bank for the storage of petroleum data generated under this Act.

(6) The licence holder and permit holder shall submit to PURA accurate geological maps and plans, geophysical records, and interpretations relating to the licence area.

(7) The licence holder and permit holder shall submit to PURA, in such form as it may require-

(a) at half-yearly intervals commencing six months after the grant of licence-

(i) a summary of geological, geochemical and geophysical work carried out;

(ii) a summary of all drilling activity and results obtained;

(iii) copies of maps, tapes or reports of other geological, geochemical and geophysical data prepared for the licence holder in respect of the period concerned;

(b) within sixty days after the end of each year of the term of licence-

(i) a record describing the results of all petroleum activities carried out by the licence holder in the year to which the licence relates;

(ii) estimates, if any, of economically recoverable petroleum in the form of crude oil and natural gas at the end of the year to which the licence relates;

(c) summaries of wells drilled, including lithological groups, classification boundaries and hydrocarbon zones, within three months after completion of drilling or, in the case of information that are not

obtained in that period, as soon as possible after completion of drilling; and

(d) any other information, data and reports as may be required.

(8) The licence holder and permit holder shall disclose to PURA, the technology necessary for evaluation and understanding of any raw data, processed data or interpreted data resulting from the licence holder and a permit holder who work in the licence area.

Records to be kept

90.-(1) The licence holder and permit holder shall notify PURA and keep complete and accurate records containing particulars of-

- (a) drilling operations, plugging or abandonment of wells;
- (b) strata and subsoil through which wells are drilled;
- (c) casing inserted in wells and any alteration to the casing;
- (d) any petroleum, water and minerals or dangerous substances encountered and any significant discovery of any minerals;
- (e) areas in which any geological, geophysical or geochemical work is carried out;
- (f) quality of any crude oil and composition of natural gas produced;
- (g) quantities of-
 - (i) crude oil;
 - (ii) natural gas; and
 - (iii) sulphur, in any form, or any other minerals or gases, liquids or solids disposed of by way of sale or otherwise, consideration received, the quantity disposed and name of the person to whom the quantity was disposed;
- (h) quantity of petroleum injected into formation for enhanced recovery purposes or disposal;
- (i) quantity of petroleum consumed during petroleum activities, other than quantities reported under paragraph (h), and petroleum pumped to field storage and refineries in Tanzania;
- (j) quantity of natural gas processed in Tanzania by the licence holder or on behalf of the licence holder for removal of liquids and liquefied petroleum and quantity of gases or solids recovered from it; and
- (k) quantity of natural gas flared or vented.

Duties on termination of licence and reconnaissance permit

91. Where a licence or a reconnaissance permit is terminated, revoked or expires, the person who was the licence holder or permit holder immediately before the termination, revocation or expiration of the licence or reconnaissance permit shall deliver to PURA in a format acceptable to PURA-

- (a) all records with respect to the licence;
- (b) all plans or maps of the licence area which were prepared by or on the instructions of the licence holder or permit holder;
- (c) all tapes, diagrams, profiles and charts which were prepared by the licence holder or permit holder; and

- (d) other documents as PURA may, by notice issued to the licence holder or permit holder, required to be delivered.

Availability of information to the public

92.-(1) PURA may, with a written approval of the Minister, make available to the public-

- (a) details of all agreements, licences, permits and any amendments to the licences, permits or agreements whether valid or terminated;
- (b) details of exemptions, variations or suspensions of conditions of licence and permit;
- (c) approved development plan; and
- (d) all assignments and other approved arrangements in respect of a licence and permits.

(2) The information referred to in subsection (1) shall be made available to any person upon payment of the prescribed fee.

Confidentiality of data

93.-(1) The data submitted to PURA by a licence holder shall be treated as confidential and not be reproduced or disclosed to the third parties by any party under this Act except-

- (a) in the case of disclosure by the licence holder and permit holder, with the prior written consent of the Minister; or
- (b) in the case of disclosure by PURA prior to the relinquishment of the area to which they relate, with the prior written consent of the licence holder and permit holder.

(2) The consent under subsection (1)(a) or (b) shall not be unreasonably withheld or delayed.

(3) The provisions of subsection (1) shall not prevent the disclosure by-

- (a) PURA upon fifteen days prior written notice to the licence holder identifying the parties to which disclosure will be made-
 - (i) to an agency or organ of the Government;
 - (ii) to a financial institution or person acting as a consultant or professional adviser to PURA;
 - (iii) to arbitrators and experts appointed under this Act or under an agreement made under this Act;
 - (iv) for statistical purposes; or
 - (v) in connection with the award of new acreage;
- (b) a licence holder, permit holder or contractor of the subsidiaries of the licence holder, permit holder or contractor to-
 - (i) affiliated company, its home Government or any department, agency or as required by any law;
 - (ii) a recognised stock exchange on which shares of the licence holder, permit holder or its affiliated companies are traded;
 - (iii) financial institutions and professional advisers and arbitrators and experts appointed under this Act;
 - (iv) *bona fide* prospective assignees of a licence or permit

participating interest; and

- (v) a corporation with which the licence holder or permit holder is conducting *bona fide* negotiations directed towards a merger or consolidation.

(4) All data disclosed to third parties shall be disclosed on terms and conditions to ensure that they are treated as confidential by the recipient.

Prohibition
against disclosure
of information

94.-(1) Information furnished or report submitted under this Act by a licence holder and permit holder shall not be disclosed to any person who is not PURA or an officer in the public service except with the consent of the licence holder or permit holder.

(2) Nothing in subsection (1) shall prevent the disclosure of information when the disclosure is made-

- (a) after the licence or permit concerned ceased to have effect, or ceased to have effect over the land to which the disclosure relates;
- (b) for and in connection with the implementation of this Act;
- (c) for purpose or in connection with any legal proceedings;
- (d) to any consultant employed to advise the Government on matters relating to petroleum operations;
- (e) for, or in connection with the preparation or on behalf of the Government on statistics relating to petroleum operations;
- (f) to a financial institution or in connection with financial arrangements or advice in relation to petroleum operations;
- (g) in connection with the determination of any liability of the licence holder or permit holder to make any payment to the Government;
- (h) for, or in connection with any matter prescribed in a petroleum agreement; or
- (i) as the requirement to ensure transparent and accountability under the relevant law.

(3) A person shall not disclose confidential information while still working in the public service or PURA in the petroleum industry or when ceases to be public servant or member of the Board of PURA or the National Oil Company which he obtained in the course of his employment for a period of ten years.

(4) Any person who contravenes subsection (1) or (3) commits an offence and shall be liable on conviction to a fine not less than ten million shillings.

(5) In proceedings on a prosecution for an offence under this section, it shall be a sufficient defence if the person charged proves that the information disclosed and to which the prosecution relates was, without that disclosure, generally known to the public or national interest.

Further
information to be
furnished

95.-(1) Where PURA has reasons to believe that a person is capable of giving information or producing documents relating to exploration or

development operations, PURA may, by notice in writing require that person-

- (a) to furnish information in writing within the period and in the manner specified in the notice; or
- (b) to appear himself or person specified in the notice at such time and place to answer questions relating to the operations.

(2) A person is not excused from furnishing information, answering a question or producing a document when required to do so under this section might tend to incriminate him or make him liable to a penalty, and the information so furnished or his answer to the question shall not be admissible in evidence against him in any proceedings other than proceedings for an offence.

Failing to furnish information

96. Any person who-

- (a) refuses or fails to comply with a requirement in the notice to the extent to which he is capable of complying with it;
- (b) in purported compliance with a requirement referred to in paragraph (a), knowingly or recklessly furnishes information that is false or misleading in a material particular; or
- (c) when attending before PURA or any other person under a requirement referred to in paragraph (a), knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular,

commits an offence and shall be liable, upon conviction, to a fine of not less than fifty million shillings or to imprisonment for a term of three years or both.

Sub-Part V

Obligations of Licensees and Contractors

Third party access

97.-(1) A person who requires to use spare capacity of facility owned by another party shall, on objective and non-discriminatory conditions have a right to use such facility in accordance with the provisions of this Act.

(2) The agreement relating to use of facility of another party shall be based on profits from production earned by producing field and owner's incentives to maintain the capacity of facilities and investments.

(3) Negotiations between owner and user of facility shall be organised and conducted based on integrity, good corporate governance and good faith.

(4) Subject to the provision of subsection (3)-

- (a) the negotiations shall not provide to one party with an unreasonable advantage at the expense of the other party;
- (b) when the negotiations is on process, the parties shall exchange updated information on the user's needs and capacities available, with a view to determining, at the earliest stage, the conditions that govern the required use.

(5) The licence holder shall participate in negotiations on the side on which the greatest economic interests of the licence holder lie.

(6) Any agreement relating to the use of facilities referred to in subsection (2) shall be submitted to PURA for approval.

(7) PURA may, on approving an agreement pursuant to subsection (2), or in the event that no agreement is reached within a reasonable time, stipulate tariffs and other conditions or subsequently amend the conditions that have been approved or stipulated, in order to ensure implementation of projects is carried out with due regard to considerations relating to resource management.

(8) PURA may issue directions on the use of facilities by taking into considerations efficiency, resource management or benefit of society, and such facility shall not be detriment to the licence holders or a person who has a right of use.

Domestic supply obligation

98.-(1) The licence holder and contractor shall have obligation to satisfy domestic market in Tanzania from their proportional share of production.

(2) The volume of crude oil or natural gas which is required to be sold shall meet the requirements of domestic market not exceeding share of profit oil or gas of a licence holder and contractor.

Supply of gas and costs

99. The domestic natural gas price shall be determined based on the strategic nature of the project to be undertaken by the Government.

(2) The volume of crude oil or natural gas which the licence holder and contractor is required to supply shall meet domestic market obligation determined by the parties in the mutual agreement and on *pro rata* basis with other producers in Mainland Tanzania.

Price valuation of petroleum

100. The average fair market price of Tanzania's crude oil marketed in any calendar quarter shall be determined in manner prescribed in the regulations.

Work practices for licence holder and the contractor

101.-(1) The licence holder and contractor shall-

- (a) carry out all exploration and development operations in the exploration or development area in a proper, safe and workman-like manner and in accordance with the best petroleum industrial practice;
- (b) take all reasonable steps to secure safety, health and welfare of person engaged in that operations, exploration or development area; and
- (c) act in accordance with the directions, restriction or requirement made by an inspector under this Act.

(2) Subject to subsection (1), the licence holder and contractor shall-

- (a) control the flow and prevent waste or escape in the exploration or development of gas, not being petroleum or water;
- (b) prevent the escape in the exploration or development area of any mixture of water or drilling fluid and petroleum or any other matter;
- (c) prevent damage to petroleum bearing strata in an area in respect of which the licence is not in force;
- (d) keep separate in the manner prescribed-

- (i) each reservoir discovered in the exploration or development area; and
 - (ii) sources of water if discovered in the exploration or development area, as the Minister may, by notice in writing served on the licence holder, directs;
- (e) prevent water or any other matter entering into petroleum reservoir through well in the exploration or development area except when required by, and in accordance with, best international petroleum industry practices ;
- (f) prevent pollution of any water-well, spring, stream, river, lake, reservoir, estuary, harbour or area of sea by escape of petroleum, salt water, drilling fluid, chemical additive, gas not being petroleum or any other waste product or effluent;
- (g) furnish to PURA prior to drill well, a detailed report on the technique to be employed, an estimate of time to be taken, the material to be used and safety measures to be employed, in the drilling of well.

(3) The licence holder and contractor shall not flare or vent petroleum without prior consent from PURA.

(4) Where the consent in writing from PURA has been obtained, nothing in this section shall prevent a licence holder and contractor from flaring petroleum in accordance with the terms of the instrument of consent.

(5) Nothing in this section shall prevent the licence holder and contractor from flaring petroleum in.

(6) Subject to subsection (4), flaring may be required to safeguard the health and safety of person in the emergency circumstances exploration or development area, and prevent damage to the property in the exploration or development area.

(7) The licence holder and contractor shall furnish to PURA intention to abandon any well, closure or plugging of well and the process shall be carried out in the prescribed manner with the prior consent from PURA.

Work practices of permit holders

102. The permit holder shall-

- (a) carry out all reconnaissance activities in the area which the reconnaissance permit is in force in a proper and workman-like manner and in accordance with best petroleum practice; and
- (b) take all reasonable steps to secure safety, health and welfare of person engaged in the operations of that area.

Penalty for breach

103.-(1) The licence holder, permit holder and contractor who contravenes section 101, commits an offence and shall be liable, upon conviction, to a fine of not less than twenty million shillings.

(2) In proceedings on a prosecution of an offence under this section, it shall be a sufficient defence if the accused person proves that he promptly took

all reasonable steps to comply with the requirements of the relevant section applicable to him.

Maintenance of property

104.-(1) The licence holder, contractor and permit holder shall-

- (a) maintain in good condition and repair all structures, equipment and other property in the area subject to the licence or in respect of which the instrument of consent is in force and used in connection with operations in which they are engaged;
- (b) remove from that area all structures, equipment and other property that are not used in connection with the operations in which he is engaged; and
- (c) take reasonable steps to warn person who may be in the vicinity of any structure, equipment or other property of the possible hazards resulting from it.

(2) Subsection (1) shall not apply to any structure, equipment or other property that was not brought into the area subject to a licence, permit or by PURA of the licence holder, contractor or permit holder.

(3) The licence holder, contractor or permit holder who contravenes subsection (1)(a), (b) or (c) commits an offence and shall be liable on conviction to a fine of not less than ten million shillings.

Drilling near boundaries

105.-(1) The licence holder and the contractor shall not drill a well which is less than one thousand metres from a boundary of the area subject to the licence except with the consent in writing of PURA and in accordance with conditions specified in the written consent.

(2) If the licence holder and contractor fails to comply with subsection (1), PURA may in writing direct the licence holder and contractor to do one or more of the following activities within the period specified in the instrument to-

- (a) plug the well;
- (b) close off the well; or
- (c) comply with direction relating to the drilling or maintenance of well as specified in the written consent.

(3) A person who fails or neglects to comply with a direction given under subsection (2) commits an offence and shall, on conviction, be liable to a fine of not less than ten million shillings.

Protection from liability of members of Board and officers of PURA

106. A member of the Board or an officer of PURA or a person acting on the directions of the Board or of an officer of PURA is not personally liable for any act or omission done or omitted to be done in good faith in the performance of functions under this Act.

Duty not to disclose information

107.-(1) Subject to this Act a person who is a member of the Board or employee of PURA shall not disclose any information, which he may have obtained in the course of his employment.

(2) A person who ceases to be a member of the Board or employee of PURA shall not disclose any confidential information, which he may have obtained in the course of his employment for a period of five years.

(3) A person who contravenes subsection (1) or (2), commits an offence and shall be liable on conviction to a fine of not less than twenty million shillings or to imprisonment for a term not exceeding four years or both.

Survey of wells

108.-(1) PURA may, at any time, by notice in writing direct the licence holder and contractor to-

(a) carry a survey of the position of well, structure or equipment specified in the notice; and

(b) furnish promptly to PURA a report in writing of the survey.

(2) Where PURA is not satisfied with a report of a survey furnished to PURA under subsection (1), PURA may, by notice in writing direct the licence holder to promptly furnish information in writing in connection with the survey.

(3) Where a person to whom a direction is given under subsection (1) (a) fails or neglects to comply with the direction, PURA may cause to be carried a survey specified in the notice.

(4) Costs and expenses incurred pursuant to subsection (3) in the process of carrying out a survey shall be regarded as debt due to the Mainland Tanzania and shall be recoverable in a court of competent jurisdiction notwithstanding that the licence holder concerned is convicted of an offence under subsection (5).

(5) A person to whom a direction is given under subsection (1) or (2) fails or neglects to comply with the direction commits an offence and shall be liable to a fine of not less than fifty million shillings or imprisonment for a term of five years.

Control over contractor

109.-(1) Where a development licence is granted to a licence holder who is in partnership with a contractor, such contractor shall not after the date of grant of licence without the written consent of the Minister-

(a) register the transfer of any share of the contractor to any particular person or his nominee; or

(b) enter into any agreement with any particular person, if the effect of doing so would be to give such particular person or his nominee control of the contractor's company.

(2) The Minister shall, on application made under this section, give or refuse to give consent after taking into consideration public interest.

(3) Subject to subsection (2), the Minister may require any application and information as he considers necessary.

(4) For the purpose of this section-

(a) a person shall be deemed to have control of a company-

(i) if such person or his nominee holds a total of twenty percent or more of equity shares in the company; or

(ii) if the person or his nominee is entitled to appoint or prevent the

appointment of a sufficient number of directors to form a quorum at meetings of directors;

- (b) "equity shares" in relation to a company, means shares in the company having voting rights, and includes preference share other than preference shares not having voting rights; and
- (c) "preference shares" means shares which carry the right to the payment of a dividend of a fixed amount, or not exceeding a fixed amount, in priority to payment of a dividend on another class or other classes of shares, whether with or without other rights.

Power of entry

110.-(1) For the purposes of this Act, PURA may, at all reasonable times-

- (a) enter into any area, structure, vehicle, vessel, aircraft or building that is in connection with-
 - (i) exploration operations; or
 - (ii) development operations;
- (b) inspect and test by a qualified person, any machinery or equipment that, in its opinion, is used in connection with any of the operations referred to in paragraph (a);
- (c) take or remove for the purpose of analysis, testing or use in evidence in connection with an offence against this Act, samples of petroleum, water or other substances from a well;
- (d) inspect, take extracts from, and make copies of, any document relating to any of the operations referred to in paragraph (a);
- (e) with respect to health and safety of person employed by a licence holder and contractor or in connection with any of operations referred to in paragraph (a) issue directions and impose restrictions on the licence holder or any person so employed;
- (f) by notice in writing, order-
 - (i) cessation of operations or withdrawal of any person from any area, structure or building that is being used in connection with operations referred to in paragraph (a); or
 - (ii) discontinuance of use of any machinery or equipment which PURA considers to be unsafe, until such action as is necessary for safety as specified in the notice, is undertaken and completed;
- (g) make such examinations and inquiries as necessary to ensure that the provisions of this Act, and any direction issued, restrictions imposed or orders made under this Act, are being complied with; and
- (h) obtain and record statements from witnesses, and appear at or conduct inquiries held regarding accidents occurring in the course of any of the operations referred to in paragraph (a), and appear at inquests, and call, examine and cross-examine witnesses.

(2) Before exercising any of its powers under subsection (1), if there is any person present who is or appears to be in charge of the area, structure, vehicle, vessel, aircraft, building, machinery, equipment or matter or thing in

respect of which the power is about to be exercised, PURA or authorised officer shall identify himself to that person and to any other person to whom he is about to give an order or a direction.

(3) Any person who is aggrieved by a decision, direction or order of PURA or an authorised officer made under this section may appeal in writing to the Board or, in the case of a decision, direction or order made by PURA, to the Minister who shall, as soon as practicable, hear and dispose the appeal, but the bringing the appeal shall not affect the execution and operation of the decision, direction or order appealed from pending disposition of the appeal.

(4) Where appeal is lodged under subsection (3), PURA or the Minister may rescind or affirm the decision, direction or order which is subject to the appeal or, make a new decision, direction or order in substitution thereof, and such decision, direction or order shall not be subject to further appeal.

(5) In exercising his powers under subsection (1), PURA or an authorised officer may be accompanied by any person who PURA or the authorised officer believes has special or expert knowledge of any matter being inspected, tested or examined.

(6) A person who is an occupier or in charge of any building, structure or place, or in charge of any vehicle, vessel, aircraft, machinery or equipment referred to in subsection (1), shall provide PURA or an authorised officer with all reasonable facilities and assistance including means of transport .

Sub-Part VI Surface Rights

Right to graze
stock

111.-(1) The lawful occupier of any land in an exploration or a development area shall have the right to graze stock or cultivate surface of land if the grazing or cultivation shall not interferes with exploration or development operations in such area.

(2) The lawful occupier of land in a development area shall not erect any building or structure in the area without a written consent of a holder of development licence concerned, and if the Minister considers that the consent is being unreasonably withheld, may give his consent to the lawful occupier.

(3) The rights conferred by a licence or an instrument of consent or permit shall not be exercised so as to affect the interests of any lawful occupier of land subject to proper conduct of operations pursuant to the licence or instrument of consent.

(4) Without limiting the generality of subsection (3) a person carrying on operations under a licence or consent or permit shall not take action that in any way interferes with-

- (a) fishing;
- (b) navigation; or
- (c) any other operation being lawfully carried on, by way of exploration, recovery or conveyance of petroleum or minerals,

unless he gives prior notice in writing to PURA of the expected nature and duration of such interference.

Compensation for disturbance of rights

112.-(1) Where, in the course of exploration or development operations the licence holder and contractor interfere with the rights of the lawful occupier of any land or cause damage to any crops, trees, buildings, stock or works thereon, by virtue of which operations are carried out, the licence holder shall be liable to pay to the lawful occupier fair and reasonable compensation in respect of interference or damage in accordance with the right or interest, if any, of lawful occupier in the property concerned.

(2) Where the value of any land has been enhanced by exploration or development operations, compensation payable pursuant to subsection (1) in respect of the land shall not exceed any amount which is payable if the value had not been so enhanced.

(3) Where the amount of compensation to be paid pursuant to subsection (1) is in dispute, either party may refer the matter to PURA which shall deal with in accordance with the provisions of Part XI.

Rights over unalienated land

113. Where the President is satisfied that it is necessary to do so for development purposes or for purposes ancillary to development, the President may grant, upon terms and conditions as the President thinks fit to the licence holder and the contractor-

- (a) a right of occupancy of any unalienated land; or
- (b) rights over any unalienated land.

Sub-Part VII Petroleum Fiscal Regime

Royalty on petroleum

114.-(1) Subject to this Act, the licence holder and contractor shall pay royalty to the Government in respect of gross volume on petroleum recovered at the delivery point in a manner specified in the Second Schedule.

(2) The agreement in respect to the grant of rights may include a provision for payment of royalty in kind.

(3) Where the licence holder fails to pay any royalty payable under this Act on or before the due date, PURA may, by notice in writing served on the licence holder, prohibit the removal of, or any dealings in or with, any petroleum from the development area concerned, or from any other development area subject to a licence held by that licence holder or from both until all outstanding royalty has been paid or an arrangement has been made and accepted by PURA for the payment of the royalty and the licence holder shall comply with the order of PURA.

(4) The Minister may, upon advice of PURA and by order published in the *Gazette*, amend, vary or alter the Second Schedule.

Annual fees	<p>115.-(1) The Contractor shall pay to NOC annual fees in respect of a licence as may be prescribed in the regulations.</p> <p>(2) The annual fees referred to under subsection (1) shall include-</p> <ul style="list-style-type: none">(a) acreage rental;(b) training and research fees; and(c) signature bonus.
Bonus payment	<p>116.-(1) The Contractor shall pay to the NOC signature and production bonuses as may be agreed under the terms of the relevant agreement.</p> <p>(2) For purposes of this section-</p> <ul style="list-style-type: none">(a) "production bonuses" means bonus payable on commencement of production; and(b) "signature bonus" means a single non-recoverable lump sum payment by contractor to the Government upon signing of agreement or any other related agreement.
Payment of tax	<p>117.-(1) A licence holder, contractor and subcontractor shall pay taxes including corporate tax, capital gain tax and other taxes applicable in Tanzania in accordance with the provisions of relevant written laws.</p> <p>(2) The profits resulting from any direct or indirect assignment, transfer or any other disposal of rights under the petroleum agreement regardless of the beneficiary type of transaction shall be subject to taxes at rates prescribed in the relevant written laws.</p> <p>(3) The agreement in respect of grant of rights shall provide for financing of the petroleum activities with a loan from a third party.</p> <p>(4) The third party is considered a subcontractor and shall be subject to withholding tax on the interest payment on loans.</p> <p>(5) PURA shall, in accordance to the prescribed financing regulations, give approval for the percentage of the loan to be used as a portion of the total capital.</p> <p>(6) Cost of any unapproved loan shall not be treated as allowable or deductible for tax purposes.</p> <p>(7) The interest rate for loans shall not exceed the lowest market interest rate available for such loans.</p>
Ring fencing on recoverable cost of exploration and development licence	<p>118.-(1) The licence holder and contractor holding an exploration licence or more than one developing licence within a contract area shall ring fence recoverable contract expenses.</p> <p>(2) Recoverable contract expenses in a licence area or block within the contract area may be recoverable from petroleum revenue from such development area to the extent that were incurred prior to commencement of petroleum production from such development area.</p>
Payment terms	<p>119. All payments due to the Government under this Act shall be in an</p>

international and freely convertible currency.

Penalty for late payments

120. Where a contractor fails to make payment under this Act on or before the time required, such contractor shall be liable to a penalty of a surcharge of two percent of the amount in default for each day of default.

Recovery of payments under this Act

121. Payments and taxes under this Act are a debt due to the Government and shall be recovered in accordance with any other relevant written laws.

Security for compliance

122. PURA may make arrangements to ensure that a licence holder complies with the provisions of this Act and accept guarantees whether from contractor or otherwise in respect of that compliance.

PURA may require information to be furnished

123.-(1) Where PURA has reason to believe that a person is capable of giving information, producing or making available books or documents relating to petroleum obtained from an exploration or a development area or the value of petroleum so obtained, it may in writing, require such person-

- (a) to furnish in writing, within the period and in the manner specified by PURA, any of such information;
- (b) to attend before PURA at such time and place as is so specified and to answer questions relating to petroleum obtained or the value of petroleum obtained; or
- (c) to make available to PURA at such time and place as is so specified books, documents, or copies, in his custody or power relating to value or petroleum obtained.

(2) A person shall not be excused from furnishing information, answering a question or making available books or documents when required to do so under this section on the ground that the information may incriminate him or make him liable to a penalty, and the information so furnished shall not be admissible in evidence against him in any proceedings other than proceedings for an offence under section 239.

(3) Where book or document is made available pursuant to a requirement under subsection (1)(c), the person to whom the book or document is made available may make copies or take extracts from the books or documents.

Failure to furnish information

124. Any person who-

- (a) refuses or fails to comply with a requirement under section 133(1) to the extent that he is capable of complying with it;
- (b) in purported compliance with a requirement, knowingly or recklessly furnishes information that is false or misleading in a material particular;
- (c) when attending before PURA or any other person in pursuance of such a requirement, knowingly or recklessly makes a statement or produces a document that is, or produces books which is false or

- misleading in a material particular; or
- (d) when making available books or documents in pursuance of such requirement, knowingly or recklessly makes available books that is false or misleading in a material particular,
- commits an offence and shall be liable on conviction to a fine of not less than fifty million shillings or imprisonment for two years or both.

PART IV
MIDSTREAM AND DOWNSTREAM ACTIVITIES

Sub-Part I
National Petroleum and Gas Information System

National
Petroleum and
Gas Information
System

125.-(1) There shall be a National Petroleum and Gas Information System, also described as NPGIS which shall be maintained by EWURA.

(2) NPGIS shall be a strategic planning tool for the Government and other interested parties and for informing the public periodically, about the status of the gas industry.

(3) 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.

(4) Every licensee shall submit to EWURA a periodic reports and other information that would feed into NPGIS as may be prescribed in the rules.

(5) Except for information that protects the security of state and proprietary market data or any other confidential information as EWURA may determine, all information contained in the NPGIS shall be available for inspection by the public.

(6) For purpose of this section, “proprietary market data” means data related to intellectual rights of a licensee.

(7) Without prejudice to subsection (1) EWURA shall establish and maintain a Central Registry of Petroleum Operations (CRPO) which shall form part of the NPIS containing-

- (a) information on petroleum supply and use by type, quantity and region;
- (b) information on petroleum importation by type, quantity and source;
- (c) information on petroleum exportation by type, quantity and destination;
- (d) information on refinery products by type, quantity and source;
- (e) information relating to petroleum or petroleum products in transit;
- (f) a record of all licence applications, grants, variations, transfers, suspensions and cancellations; and
- (g) all relevant information on the holders and their operations and

installations.

Sub-Part II

Exclusive rights of the aggregator

Exclusive rights
of the aggregator

126.-(1) The National Oil Company shall designate one of its subsidiaries to be the aggregator.

(2) The aggregator shall have exclusive right to purchase, collect and sell natural gas from producers.

(3) The aggregator shall apply to EWURA for a licence before exercising its right under sub-section (2).

(4) Notwithstanding the provisions of sub-section (2), the producers may sell natural gas to any other person after obtaining consent from the aggregator

Sub-Part III

Approval for Construction of Petroleum Infrastructure

Application for
construction
approval

127.-(1) Any person intending to construct a petroleum installation or petroleum carriage facility shall apply in writing to EWURA for an approval.

(2) The National Oil Company shall apply to EWURA in a prescribed form to construct gas infrastructure.

(3) An application under subsection (2) shall:

(a) state the name and address of the owner of the proposed gas infrastructure;

(b) be accompanied with three copies of plans and information on specifications, location, type and capacity for the proposed infrastructure;

(c) contain a detailed project plan including, capital expenditure, financing plan, financial justification, local content plan and project schedule;

(d) in the case of a pipeline, specify points between which the proposed pipeline is intended to run and the full delineation of its right of way;

(e) state financial and technical strength of applicant in the gas industry; and

(f) provide other details as may be prescribed by EWURA.

(4) EWURA shall, before granting approval, consider:

(a) relevant Government laws, policies and plans;

(b) technical and financial capability of the applicant; and

(c) any public interest which in EWURA's opinion, may be affected by the granting the approval.

(5) EWURA shall, within thirty days from the date of receipt of an application, notify the applicant in writing of the approval of application.

Prohibition for construction of gas infrastructures

128.-(1) A person shall not construct a gas infrastructure or petroleum installation without approval of EWURA.

(2) A person who contravenes sub section (1) commits an offence and upon conviction shall be liable to a fine of not less than twenty million shillings or to imprisonment for a term of not less than three years or both.

Grant of construction approval

129.-(1) Where after evaluation of the application, EWURA is satisfied that the applicant has complied with all requirements for grant of the application, the EWURA shall grant the application and approve construction sought to be done.

(2) The construction approval shall be made in a prescribed form and may contain conditions as EWURA considers necessary and appropriate.

(3) EWURA shall cause to be published in the *Gazette* a construction approval.

(4) Where a construction approval is granted with conditions that are to be complied with before any construction activities are undertaken, the construction of any gas infrastructure shall not be undertaken until such conditions are complied with.

Expiry of construction approval

130. Where the construction of works has not commenced within twenty four months from the date on which an approval was granted or upon expiry of an extended period which EWURA allowed, the approval shall cease to have effect.

Revocation or suspension of an approval

131.-(1) EWURA may by notice in writing, withdraw, revoke, suspend or amend an approval if any term or condition for approval has not been complied with.

(2) Where EWURA intends to withdraw, revoke, suspend or amend approval, it shall, at least within twenty-one-days before the date of its intention, withdrawal, revocation, suspension or amendment, notify the holder of the approval of such intention specifying the reasons for the decision to be made.

(3) Notwithstanding the provisions of subsections (1) and (2), EWURA may, by notice published in the *Gazette*, withdraw, suspend or revoke an approval upon application or consent of the holder of an approval.

(4) EWURA may, by notice in writing, reinstate an approval that was withdrawn, revoked, or suspended if it is satisfied that the reasons for the withdrawal, revocation or suspension do no longer exist.

Sub-Part IV

Licensing of Midstream and Downstream activities

(a) *General requirement for undertaking Mid and downstream activities*

Application for licence

132.-(1) Any person who intends to undertake a regulated activity shall

apply to EWURA for a licence in the prescribed manner and form, upon payment of the prescribed fee.

(2) The procedure for filing, evaluation and approval of application and documentation shall be prescribed in the rules made by EWURA.

(3) An applicant for a licence who wishes to undertake a regulated activity shall, in addition to the requirements stipulated pursuant to sub-section (2), be required to sign an integrity pledge referred to under section 223.

(4) A person who undertakes a regulated activity without a licence, commits an offence and upon conviction shall be liable to a fine of not less than twenty million shillings or to imprisonment for a term of not less than two years but not more than five years or both.

Consideration of
the application

133. In considering an application for a licence, EWURA shall take into account:

- (a) contribution of regulated activity to meet future gas needs by customers;
- (b) compliance of regulated activity with the policies of the Government;
- (c) submitted local content plans based on the regulations;
- (d) risk analysis of the regulated activity;
- (e) contribution of regulated activity to competitive conditions in the gas industry;
- (f) social and environmental impact of regulated activity;
- (g) impact that regulated activity may have on health and safety of employees and the public;
- (h) legal, technical, economic and financial capacity of the applicant to conduct the regulated activity;
- (i) cost of activities and the effect on gas prices to customers;
- (j) participation of Tanzanians including local companies with not less than twenty five percent participating shares in the business as the case may be in the regulated activities;
- (k) any representations and objections to the regulated activity made by the public;
- (l) a detailed emergency preparedness plan towards any accident or incident; and
- (m) any other public interests that may be affected by the regulated activity.

Grant of licence

134.-(1) EWURA shall, within sixty days from the date of receiving an application, and if satisfied that all requirements for a licence have been complied with, grant a licence to the applicant in a prescribed form.

(2) The provisions of sections 130 and 131 (4) shall not apply to the National Oil Company.

(3) For purposes of subsection (2), the National Oil Company shall apply

and be granted a licence required for undertaking any of a regulated activities stipulated under this Act.

Refusal of an application

135.-(1) EWURA shall refuse application for a licence if:

- (a) it is satisfied that the application does not comply with the provisions of this Act;
- (b) it is satisfied that the applicant submitted false information in relation to the application for a licence;
- (c) the applicant has been convicted of corruption, money laundering, economic crimes or tax evasion; or
- (d) the applicant refused to sign an integrity pledge.

(2) Where EWURA refuse to grant application for a licence, it shall, within fourteen days from the date of the decision, send to the applicant a notification and reasons for refusal.

Conditions for licence

136.-(1) A licence granted under this Act may be attached with such conditions as EWURA considers necessary.

(2) Where a licence is granted by EWURA in circumstances that work has to be undertaken, the licensee shall commence work of establishing facilities within the time limit set out in a licence.

(3) Where the terms of subsection (2) are insufficient to complete the work, EWURA may, upon request by the licensee, extend the time within of completing such work.

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(4) The licensee shall comply with all necessary environmental management requirements as provided for under the Environmental Management Act.

Inquiry

137. EWURA shall, before issuing, modifying, suspending or revoking a licence, conduct an inquiry.

Validity of licence

138. Unless otherwise revoked or suspended, every licence granted under this Act shall be valid for a period of up to twenty-five years depending on the type of a regulated activity.

Application and licence fees

138. EWURA shall prescribe fee to be paid by an applicant for a licence or a licensee, for a licence applied for or granted under this Act, and may impose an addition fee for transfer or amendment of a licence.

Assignment and transfer of licence

140.-(1) A licence shall not be assigned to, or transferred from a licensee to another person without approval of EWURA.

(2) A person who intends to transfer a licence shall file an application to EWURA accompanied with evidence of compliance of the provisions relating to quality and standards referred to in this Act.

(3) Where the applicant fails to comply with the requirements for a

transfer by reason of insufficient information in the application, EWURA shall within seven days, notify the applicant on such insufficiency in the application and direct the applicant to correct the deficiencies within thirty days.

(4) EWURA shall reject an application if the applicant fails to comply with directions of EWURA issued pursuant to subsection (3).

(5) Where the applicant complies with the requirements for transfer of a licence pursuant to subsection (2), EWURA shall within sixty days, authorise the transfer of the licence.

Modification of licence

141.-(1) EWURA may, on its own motion or upon application by a licensee, modify terms and conditions of a licence.

(2) In the event EWURA acts on its own motion, it shall issue a notice of at least sixty days to the licensee informing the licensee on its intention to modify the licence.

(3) The manner for effecting modification of a licence in accordance with sub-section (1) shall be as prescribed in the rules.

(4) Where a need arise for expansion of throughput capacity in a transportation licence, modification of a licence shall not be required and the licensee shall seek consent of EWURA within three months before the commencement of expansion.

(5) Where capacity is increased by construction of pipelines, modification of the licence shall be required.

Renewal of licence

142.-(1) A licensee who wishes to renew licence may, at least two years before expiration of licence, apply to EWURA for renewal of a licence.

(2) A renewal of a licence shall be granted for a maximum period of fifteen years, or for such longer period as may be determined by EWURA.

(3) For the purpose of subsections (1) and (2), the procedure for renewal of licence shall be as prescribed in the rules.

Suspension of licence

143.-(1) EWURA may suspend a licence if a licensee violates terms and conditions of the licence, regulations or any other written law relating to protection of occupational health, public safety or environmental management.

(2) Upon suspension of a licence, EWURA shall specify in writing the period of suspension, during which a licence shall be of no legal force or effect.

Revocation of licence

144.-(1) EWURA shall revoke a licence where the licensee:

- (a) violates any of the provisions of this Act or conditions attached to the licence which affects the conduct of regulated activity;
- (b) obtained a licence by fraud or deliberate submission of false information or statements;
- (c) fails to comply with obligations conferred within the terms stated in the licence;
- (d) persistently fails to comply with the approved local content plans;

- (e) interrupts services to other users without authorization of EWURA;
- (f) carries on business in a manner that is detrimental to the welfare or interest of other users;
- (g) violates the tariffs, rates and charges established by EWURA;
- (h) persistently fails or refuses to submit information to the NPGIS;
- (i) fails to comply with the applicable health, safety, service, quality or environmental standards, or any other additional standards as may be stated in the licence; or
- (j) is convicted or found guilty of an offence relating to corruption, money laundering, economic crimes or tax evasion.

(2) Upon revocation of a licence, EWURA shall notify the licensee in writing the revocation and effective date of the order from which the licence no longer be of any legal force or effect.

(3) A licensee shall, within fourteen days after receiving the order of revocation, return the licence to EWURA.

Continuity of service in case of transfer or revocation

145.-(1) In all cases of transfer, a licensee shall ensure continuity of service and shall not suspend operations until such operations are taken over by a new licensee who shall acquire the relevant system.

(2) Where EWURA revokes a licence, it shall, after consultation with the Minister, take necessary steps to ensure continuity of the service.

(3) Without prejudice to the provisions of subsection (1), a change of ownership of a firm or any other establishments in relation to which a licence has been issued shall require approval of EWURA.

Prohibition of certain activities and separation of accounts

146.-(1) A licensee operating under EWURA of this Act shall-

- (a) maintain separate financial accounts in respect of regulated activity; and
- (b) any other business activities.

(2) EWURA shall make rules prescribing the manner in which financial accounts shall be maintained, audited and published.

(b) Specific requirements for undertaking Mid and downstream activities

(i) Processing ,transportation and storage licence

Processing, Transportation and storage

147. EWURA shall grant a processing, transportation or storage licence if it is satisfied that the applicant has-

- (a) taken into account future development of the gas industry and its potential for competition;
- (b) sufficiently demonstrated assessment and accommodation of potential future market developments in the application for a licence; and
- (c) declared during application that a gas processing facility shall be

located onshore.

Third party access
to processing
facilities

148.-(1) Each processing licensee shall:

- (a) provide to third parties access to such licensee's gas processing facilities without discrimination and on commercially reasonable terms, except where:
 - (i) sufficient available capacity in the licensee's gas processing facilities does not exist to satisfy third party requirements; and
 - (ii) there are unsolvable technical problems that prevent the utilisation of the licensee's gas processing facilities to satisfy third party requirements;
- (b) increase, if the available capacity of such licensee's gas processing facilities is insufficient to accommodate third party requirements, the capacity of such gas processing facilities in order that the third party requirements can be satisfied on commercially reasonable terms, except where-
 - (i) such expansion shall have an adverse impact on the technical integrity and safe operation of gas processing facilities; and
 - (ii) the third parties seeking access to the gas processing facilities have no sufficient funds to support the cost of the increase in capacity.

(2) The Minister may, under special circumstances and upon advice of EWURA, waive obligations prescribed in subsection (1) if a licensee made all reasonable efforts to accommodate requests by third parties, demonstrate that it is not technically or economically feasible to provide access to or expand the capacity of the licensee's gas processing facilities.

(3) The terms and conditions under which access to a licensee's gas processing facilities is granted or the capacity of such gas processing facilities is to be undertaken by private contractual arrangements shall be negotiated in good faith by the licensee and the third party seeking access.

(4) Where a licensee and a third party seeking access to, or an expansion of capacity of a licensee's gas processing facilities are unable to conclude an agreement as to the terms and conditions of such access or expansion within a reasonable time, either party may request the Minister to establish reasonable terms and conditions of such access or expansion of such facilities.

(5) A licensee shall make available to interested third parties, on a non-discriminatory basis, relevant historical data for the licensee's gas processing facilities in order to facilitate negotiations of commercially reasonable terms for third party access.

Location of gas
processing
facilities

149. All gas processing facilities shall be located onshore.

Transportation system and third party access

150.-(1) A transportation licensee shall:

- (a) provide transportation services to third parties in order to allow gas to be supplied to any buyer or eligible end-user whenever requested at such tariffs, rates, charges and terms and conditions as may be prescribed by EWURA;
- (b) provide inter-connection services to any other regulated activity licensee or to any downstream operator as may be necessary to provide access to its transportation facilities; and
- (c) increase the capacity of its transportation facilities when such facilities are insufficient to accommodate, on commercially reasonable terms, the requests of third parties pursuant to paragraph (a), if-
 - (i) such expansion does not have an adverse impact on the technical integrity and the safe operation of the licensee's transportation facilities; and
 - (ii) the third parties seeking access to the transportation facilities has sufficient funds to support the cost of the increase in capacity.

(2) EWURA may, under special circumstances prescribed in the regulations, waive any of the obligations provided for in subsection (1) if a transportation licensee has satisfied EWURA that it is not possible for the licensee to provide access to, or expand the capacity of transportation facilities.

(3) The transportation licensee shall ensure that all access or proposed access-related changes to a transportation system are technically feasible and commercially viable and does not negatively affect a pioneering upstream operator's cash flow or ability to deliver on contractual commitments.

(4) Obligations stipulated under subsection (1) shall apply to all systems, regardless of whether such systems are interconnected systems or are non-interconnected systems.

Methods and practices for storage

151.-(1) A licensee for midstream storage facility shall:

- (a) provide services to duly authorized persons;
- (b) provide, without discrimination, storage services upon request;
- (c) provide transshipment of gas to authorized persons; and
- (d) obtain approval of EWURA for tariffs charged.

(2) The methodology to determine the tariffs for the midstream storage services shall be prescribed in the regulations, and shall take into account investment costs, operational and maintenance costs, or other costs incurred in the operation of the facility and an equitable reward for invested capital.

Strategic storage of gas

152.-(1) Without prejudice to regulatory powers of EWURA, the right to store gas shall, for strategic reasons, be vested to the National Oil Company on behalf of the Government.

(2) Subject to subsection (1), the criteria and other details of award a storage licence shall be prescribed in the regulations.

(ii) Liquefaction, Shipping and Re-gasification Licence

Conditions for liquefaction

153.-(1) A liquefaction licence shall be granted for each specific facility in accordance with general conditions for award of licences provided for under Sub Part I.

(2) A liquefaction licensee shall:

- (a) operate, maintain and develop a safe, reliable and an efficient liquefaction facility;
- (b) connect the liquefaction facility to a transmission system pursuant to the rules to be made by EWURA;
- (c) establish and secure the work of a dispatcher centre for the operation of the liquefaction facility, the system of measurement of inflows and outflows and the gas quality parameters;
- (d) secure objective, equal and comprehensible conditions of access to the liquefaction facility pursuant to this Act;
- (e) prepare and submit for approval by EWURA a disaster management plan and implement such plan as required by rules made by EWURA;
- (f) prepare and submit to EWURA for approval a liquefaction facility development plan;
- (g) prepare and submit to EWURA for approval an annual financial plan; and
- (h) on annual basis, prepare and submit to EWURA an annual report in a form prescribed in the rules.

Conditions for shipping natural gas

154.-(1) Shipping of natural gas shall be carried out following the grant of a shipping licence by EWURA and in consultation with other relevant authorities.

(2) The criteria and details for award of a shipping licence shall be prescribed in the rules.

Conditions for re-gasification

155.-(1) Re-gasification shall be carried out under a licence granted by EWURA in consultation with other relevant authorities.

(2) The criteria and other details for award of a re-gasification licence shall be as prescribed in the regulations.

(3) A re-gasification licence shall be granted for each specific facility and a defined capacity in accordance with the general conditions for award of licences provided for under general requirement for undertaking mid and downstream activities.

(iii) Distribution licence

Conditions for
distribution

156.-(1) An application for a licence for distribution of gas shall, in addition to any other information as may be required by EWURA and subject to the provisions for under general requirement for undertaking mid and downstream activities, specify:

- (a) a type of service for which the licence is being sought; and
- (b) a territory in which gas shall be distributed.

(2) EWURA shall, after an inquiry as it may consider appropriate and subject to such conditions as it may impose, grant a licence for distribution of gas.

(3) EWURA shall in granting distribution licence, take into consideration the Gas Utilization Master Plan.

(4) A distribution licensee shall-

- (a) provide distribution services to third parties in order to allow gas to be supplied to any eligible end-user and whenever requested at such tariffs, rates, charges and terms and conditions as may be prescribed by EWURA;
- (b) provide inter-connection services to any other regulated activity licensee or to any upstream operator as may be necessary to provide access to its systems at the tariffs, rates, charges and terms and conditions prescribed by EWURA; and
- (c) increase capacity of its distribution facilities when such facilities are insufficient to accommodate on commercially reasonable terms the requests of third parties pursuant to paragraph (a), if-
 - (i) such expansion does not have an adverse impact on the technical integrity and the safe operation of the licensee's distribution facilities; and
 - (ii) the third parties seeking access to the distribution facilities have sufficient funds to support the cost of increase in capacity.

(5) EWURA may, under special circumstances waive obligations set forth in subsection (4) if a distribution licensee makes all reasonable efforts to accommodate requests of the third parties, satisfies EWURA that it is not possible to provide access to or expand capacity of the licensee's distribution facilities.

(6) All access or proposed access-related changes to a distribution system shall be technically feasible and commercially viable.

(7) A distribution licensee shall:

- (a) operate, maintain and develop a safe, reliable and efficient distribution system;
- (b) connect to the distribution system eligible end-users and end-user customers subject to the rules made by EWURA;
- (c) establish and secure the work of a dispatcher centre for the operation

- of the distribution system, measurement system, the system for monitoring gas quality parameters and gas delivery quality parameters and devices for gas odourisation;
- (d) distribute gas on the basis of signed contracts;
 - (e) prepare and submit for approval to EWURA the disaster management plan and implement such plan as required by rules made by EWURA;
 - (f) maintain gas quality parameters and gas delivery quality parameters pursuant to this Act and the Standards Act;
 - (g) secure objective, equal and comprehensible conditions for access to the distribution system pursuant to this Act;
 - (h) secure, at the level of the distribution system, measurement of gas consumption, including meter reading and data delivery necessary for the balancing of gas system to the aggregator pursuant to the Act;
 - (i) provide stipulated information to the aggregator, and the related distribution system operators, with a view to safe and efficient functioning and development of interconnected systems;
 - (j) provide stipulated information to gas market participants whose equipment is directly connected to the distribution system sufficiently in advance, on the volume and the date of the cessation of gas distribution and the expected reduction of distribution capacities;
 - (k) prepare and submit to EWURA for approval, the distribution system development plan;
 - (l) prepare and submit to EWURA for approval, the annual financial plan; and
 - (m) on annual basis, prepare and submit to EWURA an annual report in a form prescribed in the rules.

Code of practice
and performance
standards

157.-(1) A distribution licensee shall, within six months from the issuance of licence for distribution of gas, prepare, and make available for public inspection, codes of practice specifying the manner and procedure for metering, billing and collection of licensee's approved charges for disconnection in case of non-payment of charges, theft of gas or use of gas for purposes other than that for which it was supplied and procedures for reconnection and recovery of arrears and other charges.

(2) A distribution licensee shall comply with performance standards for distribution of gas including safety, health and environmental protection instructions issued by EWURA or any other relevant Government entity.

Sub-Part V

General obligations of Distribution and Transportation Licensees

Obligations of distribution and transportation licensees

158. A transportation and distribution licensee shall:

- (a) operate, maintain and develop under economic conditions a secured, reliable and efficient system with due regard to environment;
- (b) not discriminate system users or classes of system users, particularly in favour of the interests of such transmission or distribution licensee or its affiliates;
- (c) provide any other licensee with sufficient information to ensure that the transportation, distribution and storage of gas takes place in a manner compatible with the secured and efficient operation of the interconnected system; and
- (d) provide system users with necessary information for efficient access to the system.

System balancing

159. Where transportation or distribution licensee is responsible for balancing system, guidelines adopted for that purpose including guidelines for charging of system users for gas imbalance shall be objective, transparent and non-discriminatory.

Obligations relating to safety

160. For the purpose of this Sub Part, a licensee shall-

- (a) within twenty four hours, notify EWURA and any relevant authority of any hazardous event resulting from a regulated activity that may endanger public health and safety, and such notice shall include a statement of possible causes of event and measures taken or proposed to be further taken to address the hazardous event;
- (b) within ten days after a hazardous event has been contained, submit to the Minister and EWURA a detailed report on the reasons for such event and measures taken to control the event;
- (c) in case of emergency or disaster, provide assistance requested by the relevant authorities and maintain a log book for supervision, operation and maintenance of works and facilities make available at EWURA's request;
- (d) submit annually, a programme consistent with applicable local and international standards for maintenance of the licensee's system, and certify compliance with such programme in accordance with an accredited verification unit;
- (e) train personnel for purposes of prevention and response to accidents and disasters; and
- (f) comply with any other obligations issued by a relevant authority.

Service obligations

161. Every licensee shall-

- (a) provide efficient and effective services consistent with the principles

- of uniformity, homogeneity, regularity, safety, timely and continuity;
- (b) serve prompt notice to EWURA concerning any event that implies modification of conditions for provision of service;
 - (c) timely, publish and provide information concerning available capacity and capacity that is not contracted for, as may be specified in the rules;
 - (d) keep and maintain customer service register to receive complaints and emergency reports;
 - (e) give attention to emergency reports made by end-users without undue delay;
 - (f) in a timely manner, report to EWURA any circumstances that adversely affect or may adversely affect the provision of service;
 - (g) avoid any discriminatory practices;
 - (h) obtain and maintain an insurance as may be prescribed in the licence, sufficient to cover liabilities that may arise;
 - (i) adhere to approved local content plan; and
 - (j) respond to requests for service by transporters, within one month of receipt of such request and for distributors, within ten days of receipt of such request.

Sub-Part VI

Approval for Importation, Exportation and Transit for Petroleum and Registration of certain activities

Activities
requiring
registration

162.-(1) Notwithstanding the provisions of sections 125 and 126, a person who wishes to engage in the importation of natural gas or any activities prescribed in the Third Schedule to this Act shall be required to apply to EWURA for registration.

(2) The procedures for registration shall be prescribed in the rules.

Approval for
import, export
and transit of gas

163.-(1) A person who intends to import, export or transit natural gas shall in writing, apply to EWURA for approval.

(2) EWURA shall, upon consultation with other relevant authorities, issue approval for import, export or transit of natural gas.

(3) Criteria and all other details for award of approval for import, export or transit of natural gas shall be prescribed by the Minister in the regulations.

(4) An approval of import, export or transit of natural gas shall be granted for a specific facility and a defined capacity.

Sub-Part VII

Tariffs, rates and charges

Determination of
tariffs, rates and

164.-(1) Tariffs, rates and charges in a competitive environment shall be determined by market forces.

charges

- (2) Where the Minister, on the advice of EWURA determines that:
- (a) a particular regulated activity is a monopoly service;
 - (b) competition has not yet developed to such an extent that protect interest of customers; or
 - (c) a particular licensee is a dominant provider,
- the Minister shall direct EWURA to regulate tariffs, rates and charges in respect of such activities in a manner that is consistent with this Act.
- (3) EWURA shall, after consultation with the Minister responsible for gas, prescribe rates, tariffs, charges, terms and conditions pursuant to which regulated activity is offered if such regulated activity is supplied, performed or undertaken in:
- (a) processing of gas;
 - (b) transportation of gas;
 - (c) storage of gas;
 - (d) distribution of gas;
 - (e) re-gasification;
 - (f) supply of gas to end-users that are not eligible end-users, including the marketing of such supply to end-users that are not eligible end-users; and
 - (g) subject to subsection (4)(c), shipping of gas.
- (4) For export purposes, tariffs, rates and charges levied in connection with the supply, performance or undertaking of regulated activity, and the terms and conditions under which such regulated activity is offered is regulated by EWURA regardless of whether such regulated activity is supplied, performed or undertaken in-
- (a) liquefaction;
 - (b) storage;
 - (c) shipping; and
 - (d) re-gasification.
- (5) In the case of licences for supply, performance or undertaking of regulated activities pursuant to subsection (3), EWURA shall ensure that procedures for review of the rates, tariffs, charges, terms and conditions are prescribed in the licences or in the rules issued by EWURA.
- (6) The procedures stipulated under subsection (5) shall include:
- (a) a timetable for the consideration of tariffs, rates and charges applications to EWURA;
 - (b) opportunities for customers, local private sector and other interested parties to participate meaningfully in the tariff approval process;
 - (c) procedure for:
 - (i) reporting of financial and technical information;
 - (ii) ring fencing;
 - (iii) accounting and cost recording; and
 - (iv) public notification of tariffs, rates, charges, terms and conditions approved by EWURA.

(7) In determining tariffs, rates and charges that licensee may levy, EWURA shall ensure that licensee is permitted to recover prudently incurred costs in the operation of the business on an efficient basis, including provisions for capital depreciation, and return on capital employed.

(8) EWURA may authorise tariffs, rates and charges that deviate from the principles specified in this Act and involve subsidies or other non-fiscal measures where EWURA is satisfied that the undertaking is adequately compensated from some other source and means for recovering such compensation are specified.

(9) The supply of gas to end-users and buyers shall be governed by negotiated commercial agreements between a supplier and a buyer or an end-user taking into account all relevant tariffs, rates and charges as set out by EWURA.

Inquiry

165. EWURA shall, before determining tariffs, rates or charges for natural gas, conduct an inquiry.

Sub-Part VIII

Pricing Mechanism

(a) Determination of gas price

Determination of gas price

166.-(1) The pricing of natural gas shall be in accordance with method prescribed in the regulations and shall take into account international best practices.

(2) Without prejudice to the provisions of sub-section (1), the Minister shall ensure that:

- (a) the pricing structure provides incentives for promoting investments while sustaining supply and demand for natural gas;
- (b) natural gas prices to strategic industries and households are affordable and predictable;
- (c) an appropriate pricing structure is in place which encourages economic use of system capacities in the natural gas value chain; and
- (d) gas pricing takes into account the Natural Gas Utilization Master Plan.

(b) Determination of petroleum pricing

Monitoring of petroleum and petroleum product prices
Cap.414 and 285

167. The prices for petroleum and petroleum products throughout the supply chain shall be governed by rules of supply and demand subject to the provisions of the Energy and Water Utilities Regulatory Authority Act and the Fair Competition Act.

Imposition of petroleum fee

168.-(1) There shall be a fee to be known as the petroleum fee,

(2) The petroleum fee shall be charged on petroleum products in a manner prescribed in the regulations by the Minister upon consultation with the Minister responsible for finance.

(3) The fee shall be collected by the Tanzania Revenue Authority or such other institution as may be prescribed by the Minister and deposited in the Fund Account established for the purpose of energy development.

Sub-Part IX
Petroleum Supply Operations
(a) *Importation*

Efficient
procurement

169.-(1) A person shall not import petroleum products unless the importation is conducted through efficient procurement.

(2) The efficient procurement referred to in subsection (1) shall include conditions or requirements as the Minister may prescribe.

Petroleum and
petroleum
products
specifications

170. Petroleum products imported pursuant to this Act shall comply with specifications as the Minister may, by regulations, prescribe.

Off-loading

171. EWURA shall establish procedures for off-loading of petroleum and petroleum products by taking into consideration-

- (a) sensitivity of product;
- (b) national stock position; and
- (c) non-discrimination amongst licensees.

Penalty

172. Any person who contravenes any provisions under this Subpart commits an offence and shall be liable on conviction to a fine not less than five million shillings or twenty percent of the value of the total consignment whichever amount is greater or to imprisonment for a term not exceeding two years or to both.

(b) *Transportation*

Vehicle's vessel's
standards

173. A person shall not transport petroleum product using vehicle, vessels or facility unless such vehicle, vessels or facility complies with the standards set out by the Tanzania Bureau of Standards.

Petroleum and
petroleum
products to be
used for intended
purposes

174.-(1) Any petroleum product intended for export or designated for specific project shall be directed or used for such purposes.

(2) For the purposes of subsection (1) the term-

- (a) "export" means the taking of petroleum or petroleum products outside boundaries of the United Republic and includes the taking of such petroleum or petroleum product from one point to another within the United Republic; and
- (b) "designated specific project" means projects undertaken within the

United Republic in respect of which there is agreement for exemption or remission of taxes or toll.

Penalty

175. Any person who contravenes this Part commits an offence and shall be liable on conviction to a fine of not less than two million shillings for every day during which the contravention occurs or continues and the court may order forfeiture of the petroleum or petroleum premises, vessel or vehicle used in the contravention of the offence to the Government or otherwise dealt with in such other manner as the court may deem proper

Ships to take precautions

176.-(1) Any person who owns or commands a ship carrying petroleum product within a port shall observe such precautions as may be required in the applicable laws.

(2) Any person who owns or commands a ship, and who contravenes subsection (1) commits an offence and shall, in addition to the penalty prescribed under the applicable law, be liable on conviction, to a fine not exceeding five million shillings or imprisonment for a term not exceeding two years.

(c) Transformation

Refining of petroleum

177. A person shall not distribute petroleum product unless such product has been transformed in accordance with the specification made by the Minister.

Blending of biofuel

178.-(1) The Minister may, by regulations, make specification of petroleum products for the blending of biofuel and synthetic fuels and lubricants.

(2) Any person who contravenes the specifications referred to under subsection (1) commits an offence, and shall be liable on conviction to a fine of not less than ten million shillings or twenty percent of the value of the total consignment, whichever amount is greater or imprisonment for a term not less than five years or to both.

(d) Storage

Storage of petroleum or petroleum products

179.-(1) Every person storing petroleum products shall ensure that the petroleum products are stored in accordance with the licence issued by EWURA.

(2) Any unused capacity may be open to other licensees in the manner stipulated in the rules issued by EWURA.

(3) Any person who contravenes the specifications referred to under subsection (1) commits an offence, and shall be liable on conviction to a fine of not less exceeding five million shillings for every day during which the contravention occurs or continues and the court may order forfeiture of the petroleum, premises, vessels or vehicle used to the Government or otherwise deal with in such other manner as it thinks proper.

(e) Distribution

Petroleum products to conform with quality, safety and environment specification

180.-(1) A person shall not distribute petroleum products unless such petroleum products conform to the quality, safety and environmental specification set out in the regulations made by the Minister.

(2) Subject to subsection (1), any person who-

(a) tampers with the quality of petroleum products;

(b) conducts petroleum products business without safety equipment; or

(c) sells petroleum or petroleum products in unauthorized premises,

commits an offence and shall be liable on conviction to a fine of not less than five million shillings or to imprisonment for a term of not less than three years or both.

Recovering of petroleum products

181. Notwithstanding any provisions of this Part, the Minister may, in consultation with EWURA make regulations prescribing the method whereby petroleum products unfit for use can be recovered.

(f) National Petroleum Emergency Supply Plan

National Petroleum Emergency Supply Plan

182.-(1) The Minister may, for purposes of responding to accidents, natural disasters or other interruptions or distortions of the petroleum product supply, cause a Petroleum Emergency Supply Plan to be prepared in close co-operation with other competent Government authorities and the participants in the supply chain.

(2) In the case of emergency for reasons referred to in subsection (1), the Minister may, temporarily intervene in the supply chain or implement other measures or restrictions provided for in the Petroleum Emergency Supply Plan

(3) Measures under subsection (1) may also be taken in the event that participants in the supply chain are seriously endangering the functioning of the competitive supply system by trying to establish monopolies or to control segments of the market.

(4) The details of the elaboration, content and implementation of the Plan shall be made in the regulations.

Maintenance of Minimum stock strategic reserve

183.-(1) The Minister may for the purposes of ensuring reliability of supply of petroleum and petroleum products in the country cause strategic reserves of the petroleum products to be maintained in sufficient quantities and at a location that the Minister deems proper.

(2) For the purposes of reliability and continuity of the petroleum supply within the country, the Minister, may after consultation with EWURA and by the order in the *Gazette*, direct all licensees, including industrial customers buying directly from whole seller distributors, to maintain at their own expenses minimum security stocks of petroleum or of all or certain petroleum products in their custody.

(3) Without prejudice to subsections (1) and (2) the Tanzania Petroleum Development Corporations shall at all times keep and maintain national reserve of petroleum and petroleum products.

Sub-Part X
Assurance of Fair Competition

Prohibition
against activities
contrary to
principles of fair
competition
Caps.414 and 285

184.-(1) Subject to the provisions of the Energy and Water Utilities Regulatory Act, all petroleum supply operations shall be subject to the provisions of the Fair Competition Act in relation to-

- (i) the formation of cartels;
- (ii) barriers to entry and exit;
- (iii) abuse of dominant position and market power;
- (iv) formation of mergers and acquisitions for anti-competitive purposes;
- (v) attempts to control prices;
- (vi) the creation of artificial shortages of products or services; and
- (vii) other restrictive trade practices as defined in that Act, with intention to contravene the principles of fair competition or impeding the functioning of a free market for petroleum products within the country.

Cap.285

(2) Subject to the provisions of the Fair Competition Act, all participants in the supply chain shall sell products and offer services to all interested persons without undue delay and without any form of discrimination by means of quality, quantity, price and any other form of discrimination.

(3) The Fair Competition Commission shall monitor conditions of the market and trade practices of participants in the supply chain.

Conditions for
unused capacities
of third party
facilities

185. In order to foster a competitive petroleum products market for future participants in the supply chain, the following conditions shall apply-

- (a) a licensee who is the operator or owner of a facility with unused capacity shall apply to EWURA for approval of tariff for the use of such capacity and other reasonable terms and conditions for the use of the facility;
- (b) a licensee may offer access of unused capacity to other users on terms and conditions as may be approved by EWURA; and
- (c) users of unused capacity shall hold a licence required for the respective operation and provide proof of his capability to pay the tariff and fulfil other financial and technical conditions as agreed upon with the owner or operator of the facility.

Sub-Part XI
Access to Land for Installations

- Access to land **186.** A licensee shall, subject to the Gas Utilization Master Plan and in consultation with EWURA and such other relevant authorities, take all necessary measure to secure acquisition of rights of way for laying, operation and repair of gas pipelines and other facilities as may be requested by the licensee.
- Way leaves **187.**-(1) A licensee shall, in consultation with the relevant authorities, acquire wayleave around existing and future gas infrastructure and petroleum installations.
- (2) Owners of property on or bordering a wayleave shall not interfere with a licensee’s acquired rights.
- (3) A licensee shall compensate a property owner for any way- leave granted, and any dispute related to the amount of compensation shall be settled in accordance with the Land Acquisition Act.
- Cap. 118 (4) Subject to relevant laws, a licensee shall be entitled to the use of public roads, streets and other infrastructure for purposes of laying, connecting, running or maintaining gas distribution systems and any other installations as EWURA may approve.

PART V
CESSATION OF PETROLEUM UPSTREAM AND DOWNSTREAM ACTIVITIES

(a) Cessation of Petroleum Operations

- Decommissioning plan **188.**-(1) A licence holder shall submit a decommissioning plan to PURA-
- (a) before a petroleum production licence or a specific licence to install and operate facilities expires or is surrendered; or
- (b) before the use of a facility is terminated permanently.
- (2) The decommissioning plan referred to under subsection (1), shall be submitted to PURA at least five years before the time when the use of a facility is expected to be terminated permanently unless the PURA directs otherwise.
- (3) The plan referred to in subsection (1) shall contain proposals for continued production or shut down of production, decommissioning of facilities and any other information prescribed in the regulations.
- (4) The decommissioning of facilities referred to in subsection (2) may constitute further use of the facilities in the petroleum activities, other uses, complete or part removal and disposal or abandonment.
- (5) The plan shall contain information and evaluations considered necessary in order to make direction under section 191(1).
- (6) PURA may, on receipt of the plan, require further information and evaluations, or may require a new or amended decommissioning plan.
- (7) The licence holder shall update the decommissioning plan-
- (a) in conjunction with any subsequent application for a permit, to make additions or substantial changes to the facilities;

- (b) whenever the expected method or costs of carrying out the decommissioning work have changed significantly as a result of new technology;
- (c) where the previously assumed technology is no longer permissible or considered adequate; or
- (d) when requested by PURA, within a reasonable time limit specified in the request.

Decommissioning fund

189.-(1) There shall be established a decommissioning fund for each development area or for other facilities operated in relation to a licence or permit under this Act for purpose of costs related to implement decommissioning plan.

(2) The decommissioning fund shall be used for implementation of activities approved in the decommissioning plan.

(3) Payments into the decommissioning fund shall commence from the calendar quarter in whichever the following situation first occurs:

- (a) the petroleum production has reached fifty percent of the aggregate recoverable reserves as determined in an approved development plan and any successive reappraisal of such initial recoverable reserves;
- (b) five years after commencement of production; or
- (c) on notice of surrender.

(4) For every subsequent calendar quarter in which petroleum is produced or a facility operated, PURA shall charge the licence holder a portion of the estimated future cost for decommissioning of facilities to be deposited in the fund.

(5) The amount deposited in the decommissioning fund shall be charged as operating costs subject to the recovery cost limitations stipulated in the petroleum agreements or as may be provided in regulations.

(6) Where the decommissioning fund is not sufficient to cover the implementation of the decommissioning plan, the licence holder, contractor, and where applicable, the owner of the facilities shall cover the costs and expenses.

(7) Where any amount remains in the decommissioning fund after the decommissioning plan has been implemented, such funds shall accrue to the Government and shall be for the purpose of decommissioning in the petroleum activities.

(8) The management of the decommissioning fund shall be done by a committee consisting of representatives of PURA, the licence holder, contractor and where applicable, the owner of the facilities in a manner prescribed in the regulations.

Notification of cessation of use

190. The licence holder shall notify PURA about the time of cessation of facility if the use of a facility is expected to terminate permanently before the expiry of the licence.

Disposal of decommissioned

191.-(1) PURA may issue directions relating to disposal of

facilities

decommissioned facilities and shall stipulate time limit for implementation of directions.

(2) Directions issued by PURA under subsection (1) shall be based on technical, safety, environmental and economic aspects and consideration for other users.

(3) The licence holder and owner of a facility shall comply with the directions relating to disposal, unless directed otherwise by PURA.

(4) The obligation to comply with the directions relating to disposal of the decommissioned facility shall apply even where the direction is made or is implemented after the expiry of the licence.

(5) Where the ownership of a facility has been transferred in accordance with this Act, the licence holder, contractors and owners shall jointly ensure that a direction relating to disposal of facility is implemented, unless directed otherwise by PURA.

(6) Where the direction is to the effect that the facility shall continue to be used in the petroleum activities or for other purposes, the licence holder, owner and user shall be jointly be obliged to ensure that future directions on disposal are complied with, unless directed otherwise by PURA.

(7) Where a direction relating to disposal of a facility is not carried out within the stipulated time, PURA may take the necessary measures on behalf of the licence holder or other responsible party.

(8) Where PURA takes any measures under subsection (7) on behalf of a licence holder or other responsible parties, any risks or costs incurred arising out of that measure, shall be borne by the licence holder, contractor or other responsible party.

Removal of
property by
licence holder

192.-(1) Where a licence has been surrendered or has expired, or by reason of relinquishment ceased to comprise of an area which was the subject of a licence, the Minister shall, by notice in writing served on the person who is the licence holder, direct that person within the period specified in the notice to-

- (a) remove or cause to be removed from the area all properties brought into that area by any person engaged or concerned in the petroleum activities, or to make arrangements that are satisfactory to PURA with respect to that property;
- (b) plug or close off, to the satisfaction of PURA, all wells drilled in that area by any person engaged or concerned in those operations; and
- (c) make provision, to the satisfaction of PURA, for the conservation and protection of the environment and natural resources in that area.

(2) A direction given under subsection (1) shall be consistent with best petroleum industry practices, and nothing in this section or any direction shall be construed as requiring any person who is the holder of a licence to do anything which is not in accordance with best petroleum practices.

(3) Where a person to whom a direction under subsection (1) is given refuses or fails to comply with the direction within the period specified in the

notice, such person commits an offence and is liable on conviction to a penalty equivalent to the total amount of money incurred in the remedy operation.

Removal and sale
of property

193.-(1) Where the Government takeover facility and the directions given under section 190(1) or 191(1) have not been complied with, PURA may-

- (a) do or cause to be done all or any of the things required by the direction to be done;
- (b) remove or cause to be removed, in such manner as PURA thinks fit, all or any of the property from the area concerned;
- (c) dispose of, in such manner as PURA thinks fit, all or any of the property from the area concerned; and
- (d) if it served a copy of notice by which the direction was given to a person to whom PURA is satisfied to be the owner of the property or part of the property, sell or cause to be sold by public auction or otherwise, all or any of the property referred to in this section that belongs, or that PURA believes, belongs to that person.

(2) PURA may deduct from proceeds of a sale of property under subsection (1)-

- (a) the costs and expenses incurred by PURA in relation to that property;
- (b) the costs and expenses incurred by PURA in relation to the doing of any act required by a direction to be done by the person, that the person who has been convicted of an offence under section 202; and
- (c) the fees or amounts due and payable by the person under this Act for a licence.

(3) The costs and expenses incurred by PURA under subsection (1)-

- (a) where incurred in relation to the removal, disposal or sale of property, is a debt due by the owner of the property to the Government; and
- (b) if incurred in relation to the doing of anything required by a direction under section 190 to be done by a person who is a licence holder, is a debt due by that person to the Government, and to the extent which is not recovered under subsection (2), may be recovered in a court of competent jurisdiction.

(4) Subject to subsection (3), no action shall lie in respect of the removal, disposal or sale of property under this section.

Liability for
damages for
disposal of
decommissioned
facility

194.-(1) A person who is required to implement a decision relating to disposal of a decommissioned facility is liable for damage or inconvenience caused in connection with the disposal of the facility or other implementation of the decision.

(2) Where the licence holder or owner abandons a facility, the holder or owner shall be liable for damage caused in connection with the abandoned facility.

(3) Where there is more than one party liable under subsection (1) or (2), the parties shall be jointly and severally liable for all financial obligations.

(4) Where a need to abandon a facility arises, shall ensure the licence holder, the owners and the Government, that future maintenance, responsibility and liability are taken over by the Government, based on an agreed financial compensation.

Encumbrances

195.-(1) Where the Government requires removal of a facility, any lien, charge or encumbrance on the facility shall lapse.

(2) Subsection (1) shall also apply where the Government takes over the facility:

Provided that, in any case any right of use established with the consent of the Minister remain in force.

Takeover of facilities by Government

196.-(1) The Government may take over facilities of the licence holder where-

- (a) a licence expires;
- (b) a licence is surrendered or cancelled;
- (c) the licence holder's costs have been fully recovered; or
- (d) the use of the facility has been terminated permanently.

(2) Where the takeover of a facility is intended to expropriate private property rights, compensation shall be paid in accordance with the law and procedure prescribed in the regulations.

(3) Where the Government has confirmed that it wishes to exercise right to takeover, the takeover shall take effect six months after the period when the licence expired, or for any other reason, the facility has been abandoned permanently.

(4) Where the Government takes over a facility, the facility with its accessories shall be kept in which the operation may require such condition with adequate maintenance as is required to ensure functional capability.

(5) Any dispute referred under subsection (2) in relating to the compensation to be paid to the Government for lack of maintenance such compensation shall be determined by the Chief Government Valuer or any other relevant authority.

(6) Where the Government takes over a facility under this section, the licence holder may continue operating the facility upon payment of the prescribed fee.

(7) The takeover of facilities under this section shall not apply to properties or facilities that do not belong to the licence holder or contractor.

(b) Cessation of Downstream Activities

Licensee to submit the decommissioning plan

197.-(1) A licensee shall submit a decommissioning plan to EWURA-

- (a) before an activity or a specific licence to install and operate facilities expires or is surrendered; or
- (b) before the use of a facility is terminated permanently.

(2) The plan referred to in subsection (1) shall contain proposals for continued production or shut down of production, decommissioning of facilities and any other information prescribed in the regulations.

(3) The decommissioning of facilities referred to in subsection (2) may constitute further use of the facilities in the gas activities, other uses, complete or part removal and disposal or abandonment.

(4) The plan shall contain information and evaluation considered necessary in order to make a direction under section 197.

(5) EWURA may on receipt of the plan, require further information and evaluations, or may require a new or amended decommissioning plan.

(6) The licensee shall update the decommissioning plan-

(a) where in conjunction with any subsequent application for a permit, make additions or substantial changes to the facilities;

(b) whenever the expected method or costs of carrying out the re-commissioning work have changed significantly as a result of new techniques for the work becoming available;

(c) where the previously assumed techniques are no longer permissible or considered adequate; or

(d) when requested by EWURA, within a reasonable time limit specified in the request.

(7) Unless EWURA consents to or directs otherwise, the decommissioning plan shall be submitted at the earliest four years, but at the latest two years before the time when the use of a facility is expected to be terminated permanently.

Decommissioning
fund

198.-(1) There shall be a decommissioning fund for each development area or for other facilities operated in relation to a licence or permit under this Act for the purpose of meeting costs related to the implementation of a decommissioning plan.

(2) The decommissioning fund shall be applied to the implementation of activities approved in the decommissioning plan.

(3) Payment to the decommissioning fund shall be made by a license five years after the commencement of the project.

(4) EWURA shall, in consultation with other relevant authorities, determine the amount to be deposited as decommissioning fund.

(5) The amount deposited in the decommissioning fund shall be charged as operating costs.

(6) Where the decommissioning fund is not sufficient to cover the implementation of the decommissioning plan, the licensee and where applicable, the owner of the facilities shall cover the costs and expenses.

(7) Where any amount remains in the decommissioning fund after the decommissioning plan has been implemented, such funds shall accrue to the Government.

(8) The decommissioning fund shall be managed by the

decommissioning committee consisting of representatives of the Government and the licensee.

(9) The composition of the decommissioning committee and the manner in which such committee manages the decommissioning fund shall be prescribed in the regulations.

Disposal of the decommissioned facilities

199.-(1) EWURA may issue directions relating to the disposal of decommissioned facilities and shall prescribe a time limit for implementation of the directions.

(2) The directions issued under subsection (1) shall be based on technical, safety, environmental and economic aspects and consideration for other users.

(3) EWURA may prescribe specific conditions in connection with directions issued under subsection (1).

(4) A licensee and the owner of a facility shall ensure that a direction relating to disposal is carried out, unless otherwise directed by EWURA.

(5) An obligation to carry out the direction relating to disposal shall apply even when the direction is made or is to be implemented after expiry of the licence.

(6) Where ownership of a facility has been transferred in accordance with this Act, the licensee and the owners shall jointly ensure that a direction relating to disposal is carried out unless it is otherwise directed by EWURA.

(7) Where the direction is to the effect that the facility shall continue to be used in the gas activities or for other purposes, the licensee, owner and user shall be jointly obliged to ensure that future directions on disposal are carried out, unless it is otherwise directed by EWURA.

(8) Where a direction relating to disposal of a facility is not carried out within the prescribed time, EWURA may take the necessary measures on behalf of the licensee or other responsible parties.

(9) Where EWURA takes any measures under subsection (8) on behalf of a licensee or other responsible parties, any risks arising out, or costs incurred from that measure shall be borne by the licensee or other responsible party.

PART VI HEALTH AND SAFETY

(a) Health and Safety in Petroleum Upstream Operations

Safety

Cap.297

200.-(1) Petroleum activities shall be conducted in such a manner to enable a high level of safety to be maintained and further developed in accordance with technological developments, best petroleum industry practices, Occupational, Health and Safety Act and any other relevant law.

(2) The licence holder and contactor shall-

(a) establish, implement, follow up and develop an appropriate management system designed to ensure systematic and continuous

compliance with all applicable requirements for health, safety and the working environment as prescribed in the regulations.

- (a) identify hazards and evaluate risks associated with any work performed in the course of petroleum activities carried out under the licence which constitute a hazard to health of persons employed for the purposes of that work and the steps need to be taken to comply with the provisions of this Act;
- (b) prevent the exposure of the persons referred to in paragraph (a) to the hazards; and
- (c) develop and submit plan indicating prevention, handling and mitigation measure on HIV/AIDS and other transmittable and communicable diseases in the areas of licence operations.

Safety precautions

201. An operator shall -

- (a) take precautions to-
 - (i) ensure the safety of any person employed or otherwise present or in the vicinity of any installation is done in accordance with the Occupation, Health and Safety Act or any other relevant written law; and
 - (ii) protect environment and natural resources, including taking precautions to prevent pollution; and
- (b) ensure that the person referred to in paragraph (a) (i) is duly informed of those precautions.

Cap.297

General requirements for emergency preparedness

202.-(1) The licence holder, contractor and any other person participating in petroleum activities shall, at all times, maintain efficient emergency preparedness with a view to dealing with accidents and emergencies which may lead to loss of life, injury, pollution or major damage to property.

(2) The licence holder and the contractor shall ensure that necessary measures are taken to prevent or reduce harmful effects, including measures to return the environment to the condition it had been before the accident occurred.

(3) PURA may issue directions for implementation of the measures referred to in subsection (1).

Emergency preparedness against deliberate attacks

203.-(1) The licence holder and contractor shall initiate and maintain security measures to avoiding attacks against facilities and shall at all times have contingency plans to deal with such attacks.

(2) The licence holder and contractor shall place facilities at the disposal of the relevant authorities for emergency and security operations including drills and shall where necessary, participate in such drilling.

(3) The Minister may direct the implementation of the measures referred to in subsections (1) and (2).

Safety zones

204.-(1) There shall be a safety zone surrounding every facility used for

carrying out petroleum activities, unless otherwise determined by PURA .

(2) PURA may, in cases of accidents and emergencies, establish or extend the safety zones under subsection (1).

(3) The extent of the safety zones referred to in subsections (1) and (2) shall be determined by PURA,

Provided that where a safety zone extends across the border line with another country, PURA shall consult the Minister before exercising its powers under subsection (2).

(4) PURA may direct that-

(a) a zone corresponding to the safety zone shall be established in reasonable time before placing of facilities as mentioned in subsection (1); or

(b) there shall be a safety zone around and above abandoned or dumped facilities, or parts of the facilities.

(5) A person shall not carry unauthorized activity in the safety zones.

Suspension of petroleum activities

205.-(1) Where an accident or an emergency occurs, the licence holder or other person responsible for the operation and use of the facility shall, suspend the petroleum activities.

(2) Where special circumstances exist, the Minister may order that petroleum activities be suspended or may impose conditions to allow continuation of the activities.

(3) Where the Minister makes an order under subsection (2) basing on circumstances not caused by the licence holder, he may, upon application, extend the period of time for which the licence applies and mitigate the obligations of the licence holder.

Qualifications

206.-(1) The licence holder, contractor and other persons engaged in petroleum activities shall be persons who possess the necessary qualifications to perform such work in a prudent manner.

(2) The licence holder and contractor shall ensure that any person carrying out work for the licence holder complies with conditions stipulated under subsection (1).

Commission of inquiry

207.-(1) Where an accident occurs in connection with petroleum activities and the Minister considers the accident to be serious, he may appoint a commission of inquiry to inquire into the accident.

(2) Subsection (1) shall apply to incidents in activities which led to serious danger, injury or damage including loss of life, major damage to property and pollution of environment.

(b) *Health and Safety in Downstream Activities*

Adoption and adaptation of international standards and specifications

208.-(1) EWURA shall, in consultation with other relevant authorities, develop and carry out a program of gradual adoption and adaptation of the prevailing international standards, technical specifications and codes of practice in order to upgrade infrastructure of the supply chain, quality of gas and the services provided by the participants to the standards of the international gas industry.

Caps.130, 191 and 297

(2) The standards, specifications and codes established by the organization recognised by the international gas industry in matters of public health and safety and protection of the environment shall be adopted and declared as compulsory standards in accordance with the provisions of the Standards Act, Environmental Management Act and Occupational Safety and Health Act and any other relevant laws.

(3) The Minister may, after consultation with the relevant authorities, approve temporary application of certain international standards, specifications or codes of practice if the relevant international standards, specifications or codes of practice have not been formally adopted in accordance with subsection (1).

PART VII ENVIRONMENTAL PRINCIPLES AND LIABILITIES

(a) Environmental principles and liabilities in upstream petroleum operations

Compliance with environmental principles

Cap.191

209.-(1) The licence holder, contractor and any other person who exercises or performs functions, duties or powers under this Act in relation to petroleum operations shall comply with environmental principles and safeguards prescribed in the National Environment Management Act and other related under other relevant laws.

(2) The licence holder and contractor shall ensure that the management of production, transportation, storage, treatment and disposal of waste arising out of petroleum operations is carried out in accordance with environmental principles and safeguards prescribed under the National Environment Management Act and other related written laws.

(3) The licence holder shall contract a separate and competent entity to manage transportation, storage, treatment or disposal of waste arising out of petroleum operations.

(4) The licence holder and contractor shall be responsible for activities referred to under subsection (3).

(5) The National Environment Management Council in consultation with EWURA may, grant a licence for management, transportation, storage, treatment or disposal of waste arising out of petroleum activities to an entity contracted by a licence holder under subsection (3) on terms and conditions prescribed in the licence.

(6) A person contracted by the licence holder under subsection (3) shall not carry out activities without having a licence issued by the Minister responsible for environment.

(7) A person who carries on management of production, transportation, storage, treatment or disposal of waste arising out of petroleum operation without a licence or fails to comply with the terms and conditions prescribed in the licence, commits an offence and shall be liable on conviction to a fine of not less than five million shillings or to imprisonment for a term of not less than six months.

Pollution damage

210.-(1) This Part applies in relation to damage caused by pollution from a facility if the damage occurs in Tanzania or affects a Tanzanian vessel or facility in adjacent areas.

(2) The Minister may, make regulations relating to liability for pollution or damage caused by petroleum operations with agreement with a foreign State,.

(3) Regulations made under subsection (2) shall not restrict the right to compensation in accordance to this Act and relevant written laws in respect of any injured, death or property damage under Tanzanian jurisdiction.

Liability of licence holder for pollution damage

211.-(1) The licence holder and contractor shall be liable for pollution damage without regard to fault.

(2) Where it is demonstrated that an inevitable event of nature, act of war, exercise of relevant authority or a similar *force majeure* event has contributed to a considerable degree to the damage or its extent under circumstances, which are beyond the control of the licence holder or contractor, the liability may be reduced to the extent that is reasonable, with particular consideration to the-

- (a) scope of the activity;
- (b) situation of the party that has sustained the damage; and
- (c) opportunity for taking out insurance on both sides.

Liability for pollution damage caused without a licence

212.-(1) Where pollution or damage occurs during a petroleum operations and the operation has been conducted without a licence, the party conducted the petroleum operations is liable for the damage, regardless of fault.

(2) The liability shall be applied to any other person who has taken part in the petroleum operations, and who knew, or should have known, that the activity was conducted without a licence.

Claiming of damages

213.-(1) The liability of a licence holder and contractor for pollution damage may be claimed in accordance with this Act and any other applicable law.

- (2) Liability for pollution damage may not be claimed against-
- (a) any person other than a licence holder and contractor who undertakes measures to avert, limit pollution damage, save life or rescue values which have been endangered in connection with the petroleum

operation, unless the measure taken conflict with prohibitions imposed by a relevant authority or by a person other than a relevant authority regardless of express prohibition by the operator or owner of the values threatened; or

(b) any person employed by a licence holder or person referred to in paragraph (a).

(3) Where the licence holder and contractor have been ordered by court to pay compensation for pollution damage, but fail to pay within the time stipulated in the judgment, the party that has sustained damage may bring an action against the party that has caused the damage to the same extent as the licence holder and contractor may bring an action for recourse against the party who caused the damage.

(4) The licence holder and contractor may claim compensation from the party who caused pollution damage to the licence holder and contractor to the same extent as the licence holder and contractor may bring action for recourse against the party caused the damage.

Claiming
compensation for
pollution

214.-(1) The licence holder and contractor may not claim compensation for damage caused by pollution against a person exempted from liability, except where such person acted wilfully or negligently.

(2) Recourse liability may be mitigated to the extent that it is considered reasonable in view of manifested conduct, economic ability and the circumstances in general.

(3) Any agreement on further recourse in respect of a person against whom liability is imposed contrary to subsection (1) is invalid and shall not claimed for damages.

Jurisdiction

215. Legal action for compensation for pollution damage shall be brought before a competent court in the area where the effluence or discharge of petroleum takes place or where damage is caused.

(b) Protection of Environment in mid and downstream activities

Environmental
Management
Cap. 191

216.-(1) All infrastructural facilities established and operated in connection with a gas system shall be operated in accordance with Environment Management Act.

(2) EWURA shall, in collaboration with the competent environmental authorities, establish the classification of gas supply operations or projects within the supply chain that shall require environmental impact assessment as a condition for issuing an approval or a licence under this Act.

Cap. 191

(3) Where an environmental impact assessment is required or conditions are to be met in accordance with the Environmental Management Act and other relevant laws, the applicant for the licence or approval shall fulfil such requirements or conditions.

(4) Provisions shall be made for the proper restoration of the operating environment to its natural condition with decommissioning plan for gas facilities being submitted before the cessation of use, and according to the Environmental Management Act and other relevant laws.

Cap. 191

217.-(1) A licensee shall submit a detailed environmental impact assessment in accordance with the Environmental Management Act and preventive and responsive plan towards gas leakage.

Gas leakage
Cap. 191

(2) Where there is gas leakage that poses or presents a significant risk to public health and safety, the licensee shall, as soon as practicable take all necessary measure to stop the leakage or minimize the risk of the leakage.

(3) Without prejudice to subsection (1), the licensee shall, within twenty-four hours of the discovery of the gas leakage, report the incident to EWURA.

218.-(1) A custodian of the product where there is a major petroleum or petroleum product spill, shall report the incident to EWURA within twenty four hours after the spillage of the products.

Petroleum and
petroleum
products spill

(2) The holder or owner of the product shall urgently take all appropriate steps to clean-up the petroleum product spill and pay for the costs in accordance with the Environmental Management Act.

Cap.191

(3) Where the holder or person referred to under subsection (2) fails to comply to the satisfaction of EWURA within the time specified in the notice or within such further period as EWURA may allow, EWURA may, in writing, cause such steps to be taken as may be necessary to clean up the spill and recover the costs incurred in accordance with the relevant laws.

(4) This section shall apply to an incident-

- (a) constituting or arising from, whether wholly or in part, a petroleum product spill or involving the risk of a petroleum product spill; or
- (b) arising from the cleaning-up or restoring of relevant premises.

(5) Where a Government institution or a local authority incurs costs or expenses as a result of the occurrence of an incident to which this section applies, any such costs or expenses reasonably incurred by the relevant authority shall be recovered as a Government debt in accordance with the relevant laws.

(6) The costs or expenses may be recovered-

- (a) in the case of costs or expenses incurred by a local authority; or
- (b) in the case of costs or expenses incurred by the Government institution concerned.

(7) The costs or expenses incurred may be recovered from:

- (a) in the case of an incident referred to in paragraph (a) of subsection (4)-
 - (i) the person who was the owner of the petroleum product at the time of the incident;
 - (ii) the person who was in control or possession of the petroleum product at the time of the incident; or
 - (iii) the person who caused the incident;

- (b) in the case of an incident referred to in paragraph (b) of subsection (4)-
- (i) the relevant licence or approval holder;
 - (ii) the owner of the relevant premises, buildings, structures or plant where such spill originated; or
 - (iii) the person who caused the incident.
- (8) Notwithstanding any provision of this subsection, costs and expenses shall not be recovered against a person who proves-
- (a) that the incident was due to some causes beyond the person's control or to the act or default of another person;
 - (b) that such person could not by the exercise of reasonable diligence have prevented the occurrence of the incident; or
 - (c) that the incident is not attributable to an act or omission of a person who was an employee or agent of that person at the time when the incident occurred.
- (9) For the purpose of this section "major petroleum or petroleum product spill" means a petroleum or petroleum product spill of more than two hundred liters per spill.

PART VIII
GOVERNMENT PARTICIPATION, LOCAL CONTENT,
CORPORATE SOCIAL RESPONSIBILITY AND INTEGRITY PLEDGE

Government participation in petroleum and gas activities

219.-(1) The Government may, through National Oil Company participate in petroleum operations under this Act, through a specified participating interest of a licence or contract granted under this Act and in a joint venture established by a joint operating agreement..

(2) The Minister shall, when announcing areas for granting of petroleum exploration licences and development licence according to this Act, specify the maximum Government shares under subsection (1).

(3) The revenues resulting from the management of participating interests shall belong to the Government.

(4) The operating expenses, investments and other expenditure incurred to all relating to the management of the participating interests, shall be covered by appropriation from the Government.

(5) The National Oil Company shall keep and maintain separate accounts in respect of revenues and expenses relating to participating interests.

Provision of goods and services by Tanzanian entrepreneurs

220.-(1) A licence holder, contractors and subcontractors shall give preference to goods which are produced or available in Tanzania and services which are rendered by Tanzanian citizens and or Local Companies.

(2) Where goods and services required by the contactor or licence holder are not available in Tanzania, such goods shall be provided by a company which has entered into a joint venture with a local company.

(3) The local company referred to in subsection (2) shall own share of at least twenty five percent in the joint venture or otherwise is as provided in for the regulations.

(4) For purposes of subsections (1) and (2), a licence holder, contractor and subcontractor shall prepare and submit to PURA a procurement plan for a duration of at least five years indicating among others, use of local services in insurance, financial, legal, accounts and health matters and goods produced in Tanzania.

(5) A licence holder, its contractors and subcontractors shall ensure that entities referred to in subsection (1) notify PURA-

(a) quality, health, safety and environment standards required by licence holder and contractor;

(b) upcoming contracts as early as practicable; and

(c) compliance with the approved local content plans.

(6) The entities referred to in subsection (1) shall-

(a) have capacity to add value to meet health, safety and environment standards of petroleum operations and gas activities carried out by licence holder and contractor; and

(b) be approved in accordance with criteria prescribed in the regulations.

(7) Within sixty days after the end of each calendar year, the licence holder shall submit to PURA a report of its achievements and its contractors and subcontractors' achievement in utilising Tanzanian goods and services during that calendar year.

(8) The licence holder shall submit to PURA:

(a) a report on the execution of a programme under this section as prescribed in the regulations;

(b) a detailed local supplier development program in accordance with approved local content plan.

(9) For the purpose of this Act "local companies" means a company or subsidiary company incorporated under the Companies Act, which is one hundred percent owned by a Tanzanian citizen or a company that is in a joint venture partnership with a Tanzanian citizen or citizens whose participating share is not less than fifteen percent.

Training and
employment of
Tanzanians

221.-(1) A licence holder and a contractor shall, within twelve months after the grant of each licence, and on each subsequent anniversary of that grant, submit to PURA for approval, a detailed programme for recruitment and training of Tanzanians in accordance with an approved local content plan.

(2) The programme shall provide training and recruitment of Tanzanians in all phases of petroleum operations and gas activities and take into account gender, equity, persons with disabilities, host communities and succession plan in accordance with the Employment and Labour Relation Act.

(3) Where a programme or a scholarship proposed to be awarded under this section is approved by PURA, it shall not be varied without permission of

Cap. 366

PURA.

(4) The licence holder and a contractor shall submit to PURA annually, a report on the execution of the programme under this section as prescribed in the regulations.

(5) In this section “host communities” means inhabitants of the local area in which petroleum operations or gas activities take place.

Training and
technology
transfer

222.-(1) A report referred to under section 220(4) shall include-

- (a) a clearly defined training programme for the Tanzanian employees of the licensee, which may be carried out within or outside Tanzania and may include scholarships and other financial support for education;
- (b) a commitment by the licence holder and contractor to maximize knowledge transfer to Tanzanians and establish management and technical capabilities and any necessary facilities for technical work, including interpretation of data.

(2) The Minister may make regulations prescribing requirements for licence holder and contractor to provide technology transfer and skills relating to petroleum and gas industry to Tanzanians who are employed in that sector.

(3) The technology transfer required under sub section (1) shall be a shared responsibility between the Government, licence holder and contractor.

(4) A license holder shall be required to provide a report on the progress made by Tanzanians on training program and steps taken by licensee to close any identified learning gaps.

Corporate social
responsibility

223.-(1) A licence holder and a contractor shall on annual basis, prepare a credible corporate social responsibility plan jointly agreed by the relevant local government authority or local government authorities.

(2) The plan prepared under subsection (1) shall take into account environmental, social, economical and cultural activities based on local government priorities of host community.

(3) The corporate social responsibility plan referred to under subsection (1) shall be submitted by a licence holder to a local government authority for consideration and approval.

(4) Subject to the provision of this section, every local government authority shall-

- (a) prepare guidelines for corporate social responsibility within their localities;
- (b) oversee the implementation of corporate social responsibility action plan; and
- (c) provide awareness to the public on natural gas projects in their areas.

Integrity pledge

224.-(1) A licence holder and the contractor who undertakes petroleum or gas activities under this Act shall be required to comply with the integrity pledge.

(2) The integrity pledge referred to under sub-section (1) implies the following national requirements-

- (a) the conduct of regulated activities with utmost integrity;
- (b) desist to engage in any arrangement that undermines or is in any manner prejudicial to the country's financial and monetary systems, in particular, all earnings, payments or receivables derived from or in respect of regulated activities shall be received in, and accounted for in Tanzania;
- (c) desist to engage in any arrangement that undermines or is otherwise prejudicial to Tanzania's tax system;
- (d) disengage in arrangement that is inconsistent with the country's economic objectives, policies and strategies;
- (e) disengage in arrangement that undermines or is otherwise prejudicial to Tanzania's national security; and
- (f) maintenance of satisfactory and effective insurance coverage against losses, injuries or damage to environment, communities, individuals and properties, that may be occasioned in the course of carrying out regulated activities.

(3) The Minister shall make regulations guiding compliance with the integrity pledge.

(4) Any person who fails to comply with integrity pledge shall breach the conditions of licence or permission to engage in the regulated activity and such licence or permission shall be deemed to have been withdrawn or cancelled and the Government shall exercise the right of takeover facilities provided for under this Act.

PART IX FINANCIAL PROVISIONS

Payment of
capital gain tax

225.-(1) A licence holder and the contractor shall be under obligation to pay capital gain tax in accordance with the Income Tax Act in respect of any corporate reorganization undertaken within or outside the United Republic.

(2) Failure to pay the capital gain tax constitute a breach of integrity pledge warranting the Government to take measures against such breath.

Funds of PURA

226. The funds of PURA shall consist of:

- (a) monies appropriated by Parliament for purposes of PURA;
- (b) any revenue derived from sale of any movable or immovable property;
- (c) donation and grants to PURA for its activities under this Act; and
- (d) regulatory levy as shall be prescribed in the regulations.
- (e) any revenue accruing from any activity undertaken by PURA.

Tax exemption

227.-(1) PURA shall be exempted from payment of import and other

duties, taxes and levies in respect of its operations, capital, properties, documents or any other transactions, deeds, agreements, fees or promissory note.

(2) Notwithstanding subsection (1), employees of PURA shall be liable to pay relevant taxes in accordance with any other relevant laws.

Duty to operate on sound financial principles

228. The Board shall, in the performance of its functions under this Act, have due regard to sound financial principles.

Power to open and operate bank accounts

229.-(1) PURA shall, with the approval of the Board, open and maintain bank accounts as PURA may consider necessary for better performance of its functions.

(2) The Director General shall ensure that all monies received on behalf of PURA is banked as soon as practicable after being received.

(3) The Director General shall ensure that no money is withdrawn from or paid out of any of the PURA's bank accounts without approval of the Board.

Estimates

230.-(1) The Director General shall, within three months before the end of each financial year, cause to be prepared and submitted to the Board for approval, estimates of income and expenditure of PURA.

(2) The Board shall, within two months after receipt of the estimates referred to in subsection (1), cause to be submitted to the Minister for approval estimates of income and expenditure as approved by the Board.

Financial year of PURA

231. The financial year of PURA shall be the same as the financial year of the Government.

Accounts

232.-(1) The Director-General shall cause to be kept proper books of accounts and records of transactions of PURA in accordance with accepted accounting principles.

(2) Subject to any direction given by the Board, the Director General shall cause to be prepared an annual financial statement stating the basis of accounting and identify any significant departure from it and reasons for departure.

(3) The statement of accounts shall include:

(a) a balance sheet, income and expenditure and a source and application of PURA's statement; and

(b) any other information in respect to financial affairs of PURA as the Controller and Auditor -General may in writing require.

Audit
Cap.410

233.-(1) The Controller and Auditor-General shall, in each financial year, audit the accounts of PURA in accordance with the Public Audit Act.

(2) The Board shall ensure that it submit a statement of accounts three months after the end of each financial year to the Controller and Auditor-General for auditing.

Annual report

234.-(1) The Board shall submit to the Minister, as soon as practicable but not later than four months after the end of each financial year, a report detailing activities and operations of PURA during the year to which the report relates including audited accounts.

(2) The report referred to in subsection (1) shall contain:

- (a) the petroleum reserve estimates of Tanzania;
- (b) amount of petroleum produced and forecasts; and
- (c) such other information as the Board may consider necessary.

(3) The Minister shall, within two months after the receipt of the annual report, submit the report to the Parliament with any statement which the Minister considers necessary.

PART X OFFENCES AND PENALTIES

(a) Offences and penalties in respect of petroleum operations

Obstruction of an authorised officer

235. A person who-

- (a) without reasonable excuse, obstructs, molests or hinders an authorised officer in the exercise of his powers under this Act; or
- (b) knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular to an authorised officer engaged in carrying out his duties and functions under this Act,

commits an offence and shall be liable on conviction to a fine of not less than twenty million shillings or to imprisonment for a term of not less than five years or both.

Obstruction of licence holder and the contractor

236. A person who, without reasonable excuse, obstructs, molests, hinders or prevents a licence holder in or from undertaking any activity which the licence is authorised to do by this Act or by his licence, commits an offence and is liable on conviction to a fine of not less than twenty million shillings or imprisonment for a term not less than five years or both.

Offences committed by body corporate

237.-(1) Where an offence committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of a director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any such capacity, he as well as the body corporate, commits that offence.

(2) An individual who commits an offence under subsection (1), shall be liable on conviction to a fine not less than one hundred million shillings or imprisonment for a term not less than five years or both

Order for
forfeiture

238.-(1) Where a person is convicted of an offence under this Act, the court may, in addition to any other penalty imposed, make-

(a) an order for the forfeiture of any funds, money instruments, documents, facilities, vehicles, crafts, vessels or equipment used in the commission of the offence; and

(b) an order.

(i) for the forfeiture of petroleum obtained or recovered in the course of the commission of the offence;

(ii) for the payment by that person to the Government of an amount equal to the proceeds received of the sale of petroleum so obtained or recovered; or

(iii) for the payment by that person to the Government of the value at the wellhead, assessed by the court in respect of the quantity recovered or for the payment of such a part of that amount as the court, having regard to all the circumstances, thinks fit.

(2) Where the court is satisfied that an order made under subsection (1)(b)(i) shall not for any reason be enforced, the court may, upon the application of the person to whom the proceedings were brought, set aside the order and make an order referred to in subsection (1)(b)(ii) or (iii).

(3) The court may, before making an order under this section, require notice to be given to, and hear any person as the court considers necessary.

Contravention of
decisions and
orders issued
under this Act

239. A person who without reasonable excuse contravenes any directive issued under this Act commits an offence and shall be liable on conviction-

(a) in the case of an individual, to a fine of not less than one hundred million shillings or to imprisonment for a term of not less than ten years or both; or

(b) in the case of a body corporate, to a fine of not less than five hundred million shillings.

General offences

240. A person who-

(a) in, or in connection with, any application under this Act or under a licence, or in response to any invitation or requirement of the Minister or PURA under this Act, knowingly or recklessly gives or permits to be given information which is false or misleading in a material particular;

(b) in any report, return or affidavit submitted in accordance with this Act or a licence, knowingly or recklessly includes, or permits to be included, any information which is false or misleading in a material particular; or

(c) places or deposits, or is accessory to the placing or depositing of, any petroleum or substance in any place with the intention of misleading

any other person as to the possibility of a reservoir existing in that place,

commits an offence and is liable on conviction-

- (i) in the case of an individual, a fine not less than one hundred million shillings or imprisonment for a term not less than ten years or both; or
- (ii) in the case of a body corporate, a fine of not less than one billion Tanzanian shillings or to imprisonment for a term not less than five years or both.

(b) Offences and Penalties in Respect of Natural Gas activities

Offences and penalties

241.-(1) A person who-

- (i) without reasonable excuse, refuses, delays or fails to produce any document or other information relating to gas operations and installations that may be required to be produced under this Act;
- (ii) knowingly or recklessly makes a statement or furnishes documents or other information that are false or misleading in any material respect, whether upon demand or otherwise;
- (iii) with intent to mislead or deceive EWURA or an authorised officer when so engaged, does any act or withholds any information;
- (iv) publishes or otherwise discloses any information in contravention of any provision of this Act;
- (v) without reasonable excuse, resists, hinders or obstructs an inspector or other officer of EWURA or any other person who acts on behalf of EWURA, to enter or inspect any premises or to stop and search any vehicle or to otherwise comply with his duties and rights under this Act;
- (vi) refuses, delays or fails to comply with any order, prohibition, direction, demand, requirement or notice lawfully made, served, published or otherwise given under this Act;
- (vii) contravenes, attempts to contravene or assists in the contravention of any of the provisions of this Act or any rules, orders or regulations made under this Act,

commits an offence, and on conviction, shall be liable to a fine not less than ten million shillings or to imprisonment for a term not less than two years or both.

(2) A person who attempts or assists to alter, remove or connect to any pipeline or gas installations without consent of the licensee commits an offence and shall, on conviction, be liable to a fine of not less than twenty million shillings or to imprisonment for a term of not less than five years or both.

(3) A person who continues to commit an offence shall be liable to a fine of one million shillings for each day on which the commission of that offence continues.

(4) A person who-

- (a) alters, removes or connects to any pipeline or gas installation without consent of the licensee;
- (b) sabotages the operation of the gas installations;
- (c) distorts the function of the system; or
- (d) does anything that endangers the functioning of the system,
- (e) omit to do, or otherwise refrain from doing any lawful act obliged by the law or contract or lawful order, which result to the sabotage, distortion or endanger the functioning of the system, commit an offense,

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commits an offence of economic and organised crime.

Compounding of
offences by
EWURA

242.-(1) Where a person has committed any offence under this Part other than an offence under section 241(4), EWURA may, subject to such direction as the Minister may give on that behalf, at any time prior to the commencement of the hearing by any court of any charge in relation to the offence committed, compound such offence and order such person to pay such sum of money, not exceeding one half of the amount of the fine to which such person would have been liable if he had been convicted of such offence.

(2) EWURA shall not exercise powers under this section unless the person concerned admits in writing that he has committed the offence for which he is charged.

(3) Where EWURA compounds an offence under this section, the order referred to under subsection (1) shall:

- (a) be reduced in writing and there shall be attached to it the admission and request referred to in subsection (2) and a copy of such order shall be given, if he so requests, to the person who committed the offence;
- (b) specify the offence committed, the sum of money ordered to be paid and the date or dates on which payments is to be made;
- (c) be final and shall not, subject to the provisions of subsection (3), be subject to any appeal;
- (d) not be invalid by reason only of non-compliance with any direction given by the Minister.
- (e) be enforced in the same manner as a decree of a court for the payment of the amount stated in the order.

(4) Where a person is aggrieved by an order made under subsection (1), that person may, within thirty days of such order being made, appeal against such order to the High Court in accordance with the provisions of the Criminal Procedure Act.

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(5) Where EWURA compounds an offence under this section, the person concerned shall not be liable to any prosecution in respect of such offence and, if any such prosecution is brought in the court, it shall be a good defence for such person to prove that such offence has been compounded under this section.

PART XI
DISPUTES SETTLEMENT

(a) Settlement of disputes arising from upstream petroleum operations

PURA may
decide disputes

243.-(1) PURA may inquire and decide all disputes between a person engaged in exploration or development operations, either among themselves or in relation to themselves and third parties other than the Government not so engaged, in connection with-

- (a) the boundaries of any exploration area or development area;
- (b) any act committed or omitted, or alleged to have been committed or omitted, in the course of, or ancillary to, exploration or development operations;
- (c) the assessment and payment of compensation pursuant to this Act; or
- (d) any other matters in relation to exploration and development operations.

(2) PURA may, refuse to decide any dispute referred to under this Part and, if it does so, shall notify the parties to the dispute in writing accordingly.

(3) No appeal lies to a court against a refusal of PURA made under subsection (2) to determine matters.

(4) PURA may make any decree or order which may be necessary for the purpose of giving effect to its decision in proceedings pursuant to this Part, and may order the payment, by any party to a dispute, of such compensation as may be reasonable, to any other party to the dispute.

Enforcement of
PURA's decrees
and orders

244.-(1) PURA may send a copy, certified under its hand, of any decree or order made by PURA to any court within the local limits of whose jurisdiction the subject-matter of the decree or order is situated, and, subject to any appeal, the civil court shall enforce the decree or order of PURA in the same manner in which it enforce its own decrees or orders.

(2) The fees payable upon the enforcement of a decree or order are those which are payable upon the enforcement of a like decree or order made by the court concerned.

Appeal to the Fair
Competition
Tribunal

245. Any person aggrieved by a decision, decree or order of PURA made or given pursuant to this Part, may appeal to the Fair Competition Tribunal within the period of thirty days after the decision, decree, or order is given or made.

Jurisdiction of
courts excluded

246. A person shall not commence proceedings in a court in respect of any dispute of a kind referred to in section 241 unless PURA has refused pursuant to subsection (2) of that section to decide the dispute.

Rules with respect
to proceedings

247. PURA may make rules with respect to initiation and conduct of

proceedings under section 241 and keeping of records and notes of evidence concerning any such proceedings.

(b) Settlement of Disputes Arising from Downstream Regulated activities

Disputes
settlement

248.-(1) Any dispute between a licensee and a customer or between licensees relating to application of this Act may be filed with EWURA for adjudication.

(2) Nothing in this section shall be construed to prevent a licensee, a customer or the Government, in its capacity as a party to any agreement relating to gas industry, from agreeing to resolve any dispute arising out of any agreement between them or any third parties, through binding arbitration or adjudicated in ordinary courts of law.

(3) A person who is aggrieved by any decision of EWURA under this section may, within fourteen days from the date of the decision, appeal to the Fair Competition Tribunal for determination.

PART XII
GENERAL PROVISIONS

Sub-Part I
General Provisions on Petroleum Operations

Use of licence as
Security

249.-(1) The Minister may after being advised by PURA, consent to the use of a development licence by a licence holder under this Act as security of his share of the licence as part of the financing of the activities associated with the production licence in a manner prescribed in the regulations.

(2) The security referred to in subsection (1) shall be to the licence holder's share or entitlement of the future revenue obtained from production of petroleum as provided for in the agreement.

Conflict of
interest

250.-(1) An officer in the public service who engages in the implementation of this Act shall not, in his private capacity, knowingly, directly or indirectly, acquire, attempt to acquire or hold-

- (a) an interest in a licence for petroleum operations;
- (b) a direct or indirect economic interest, participation interest or share in an entity that is authorised under this Act to carry out petroleum operations in Tanzania; or
- (c) a direct or indirect economic interest, participation interest or share in a body corporate that is providing goods or services to a licence holder under this Act.

(2) A person who contravenes subsection (1) commits an offence and shall be liable, on conviction, to a fine of not less than fifty million shillings or imprisonment for a term not less than five years or both.

(3) In proceedings for a prosecution for an offence under this section of acquiring or maintaining an interest of a kind referred to in subsection (1), it shall be a sufficient defence if the person charged proves that-

- (a) the interest was acquired by operation of law; and
- (b) a reasonable steps to dispose of the interest has been and is continuing to be under taken.

Sub-Part II

General Provisions on Natural Gas activities

Quality and standards

251. All gas introduced into a system shall be of a quality consistent with that specified in the licence covering such system or in the tariffs as approved by EWURA pursuant to section 163, as to such properties as:

- (a) water and hydrocarbon dew point;
- (b) Sulphur, Hydrogen Sulphide, Carbon Dioxide, liquids including condensate and solids content;
- (c) gross or net heating value of gas;
- (d) temperature and pressure at entry point into the system; and
- (e) Wobbe Index.

Oil and Gas Revenues Fund

252. For purposes of ensuring:

- (a) transparency and accountability on collection, allocation, expenditure and management of petroleum and natural gas revenues;
- (b) that oil and gas revenue is used for sustainable development of the oil and gas industry and the benefit of the present and future generations,

the Government shall cause an enactment of Parliament providing for establishment of a fund into which shall be deposited revenues derived from oil and gas.

Powers of entry and inspection

253.-(1) EWURA any person authorised by EWURA may, at all reasonable times-

- (i) enter any area, structure, truck, vessel or building that, in its opinion, has been, is being or is to be used in connection with regulated activities;
- (ii) inspect and test, or have it tested by a qualified person, any machinery or equipment that, in its opinion, has been, is being or is to be used in connection with any of the operations referred to in paragraph (a);
- (iii) take or remove for the purpose of analysis or testing or for use in evidence in connection with an offence against this Act, samples of gas or other gas related substances;
- (iv) inspect, take extract from, and make copies of any document relating to any of the operations referred to in paragraph (a);

- (v) inspect for purposes of health and safety of person employed by a licensee in connection with any of the operations referred to in paragraph (a);
- (vi) make such examinations and inquiries as are necessary to ensure any direction issued, restrictions imposed or orders made under this Act are complied with; and
- (vii) obtain and record statements from witnesses, appear at or conduct inquiries with respect to accidents occurring in the course of any of the operations referred to in paragraph (a).

(2) Before exercising any of the powers specified under subsection (1), if there is any person present who is or appears to be in charge of the area, structure, truck, vessel, building, machinery, equipment or matter or thing in respect of which such power is about to be exercised, EWURA or authorised officer shall identify himself to that person and to any person to whom he is about to give an order or a direction.

(3) In exercising any power specified under subsection (1), EWURA or authorised officer may be accompanied by any person to whom EWURA or the authorised officer believes he has special expert knowledge of any matter being inspected, tested or examined.

(4) A person who is an occupier or in charge of any building, structure, place, truck, vessel, machinery or equipment referred to in subsection (1), shall provide to EWURA or an authorised officer all reasonable cooperation for the effective exercise of the powers under this section.

Supplies or deliveries to cover Tanzania requirements

254.-(1) Where there is shortfall in domestic gas commodities or petroleum products supplies or delivery, the Minister may direct a licensee to make supplies or deliveries from a licensee's facility to cover for such shortfall of gas commodities or petroleum products and may further direct on whom such gas commodities or petroleum products shall be delivered.

(2) In the event of war or the emergency affecting energy supplies, the Minister may require the licence holder or contractor to supply all or part of the quantity of petroleum produced at the prevailing market price to the Government of Tanzania or any Government agency.

(3) Where the Minister directs a licensee to make deliveries in terms of sections (1) and (2), the Minister shall give the licensee notice prescribing the time which the delivery is to be made.

Natural disaster or other extraordinary disaster

255.-(1) In case of natural disaster or other extraordinary crisis, the Minister may direct the licensee to place gas commodities or products at the disposal of the State.

(2) In case a situation under subsection (1) occurs, the Minister shall, in consultation with the Minister responsible for finance and the licensee, determine the price of gas.

Appeals
Cap.285

256. A person who is aggrieved by a decision, direction or order of EWURA or an authorised officer under this Act may, within fourteen days from the date of the decision, direction or order, appeal to the Fair Competition Tribunal in accordance with the provisions of the Fair Competition Act.

Review

257.-(1) Any person aggrieved by any decision made under this Act may, within thirty days after the issuance of the decision, apply to EWURA for review of such decision by filing a motion for review, which shall specify one or more of the following grounds for review:

- (a) the decision made was not based on evidence produced;
- (b) there was an error in law;
- (c) there is a discovery of new fact which if known earlier could have changed the decision of EWURA; or
- (d) such other grounds as EWURA may consider sufficient to warrant reconsideration.

(2) EWURA may upon receipt of the application, grant or deny the application, abrogate or modify its order without further hearing.

(3) Unless EWURA acts upon application for review within thirty days after it is filed, such application shall be considered to have been refused.

(4) The filing of an application for review shall extend any applicable deadline for filing an appeal pursuant to section 256 so that such appeal may be filed not later than the same number of days after the disposition of the application for review as the appeal may have been filed following the issuance of the decision for which a review is requested if the motion for review had not been made.

Governments
right to
intervene

2568.-(1) The Government acting by and through any one or more of Government Ministries may, upon advice by the Attorney General, intervene in any proceedings before EWURA in the same manner as any other interested party may intervene.

- (2) Any decision by EWURA shall be:
 - (a) in the public interest;
 - (b) within the powers of EWURA as provided for in this Act;
 - (c) taken within a procedurally fair process in which all affected persons have the opportunity to submit their views and present relevant facts and evidence at their own expense to EWURA;
 - (d) based on facts and evidence submitted to EWURA for its evaluation;
 - (e) in writing; and
 - (f) explained clearly as to its factual and legal basis and the reasons for it.

Regulations

259.-(1) The Minister, may make regulations providing for matters which under this Act are required or permitted to be prescribed for giving effect to this

Act.

(2) Without prejudice to subsection (1), the Minister shall make regulations providing for the-

- (a) in respect of upstream petroleum operations:
 - (i) exploration for petroleum and the carrying on of operations and the execution of works for that purpose;
 - (ii) recovery of petroleum and the carrying out operations, and the execution of works for that purpose;
 - (iii) conserving, and preventing the waste of the natural resources, whether petroleum or otherwise, of the land to which this Act applies;
 - (iv) construction and operation of pipelines, water lines, pumping stations, tank stations, valve stations or other installations for the carrying on of the operations, and carrying out operations and execution of works, for any of those purposes;
 - (v) construction, erection, maintenance, operation or use of installations or equipment;
 - (vi) control of the flow and the prevention of the escape of petroleum, water, gases other than petroleum or other noxious or deleterious matter;
 - (vii) prevention of escape of water or drilling fluid or the mixture of water or drilling fluid or any other matter;
 - (viii) removal of structures, equipment and other property brought into the United Republic in connection with exploration ,recovery or conveyance of petroleum that are not used or intended to be used in connection with that exploration, recovery or conveyance;
 - (ix) pressure maintenance in or the repressuring of a petroleum reservoir and the re-cycling of petroleum;
 - (x) secondary or tertiary recovery of petroleum from a petroleum reservoir and the methods to be used in such recovery;
 - (xi) use of wells and the use of the subsurface for the disposal of petroleum, water and other substances produced in association with the exploration for or the recovery of petroleum;
 - (xii) rates or method of setting rates, at which petroleum and water may be recovered from any well or petroleum reservoir;
 - (xiii) methods to be used for measurement of petroleum, water and other substances from a well;
 - (xiv) safety standards of petroleum and health and safety or persons employed in the exploration for recovery or conveyance of petroleum;
 - (xv) taking, preserving and furnishing to EWURA cores, cuttings

- and samples from wells and samples of petroleum and water;
- (xvi) giving to EWURA reports, returns and other information;
- (xvii) taking of logs or directional surveys or making other down-hole investigations;
- (xviii) ring fencing of recoverable cost in relation to exploration and development licence;
- (xix) the manner of payment of any royalty and fees; or
- (xx) the care and custody of records and reports;
- (b) in respect of mid and downstream activities:
 - (i) assurance that supplies of gas are sufficient to meet expected demand;
 - (ii) third party access with respect to gas systems;
 - (iii) promotion of import, export of gas and gas trade;
 - (iv) promotion of research into, and the development of new techniques relating to the gas industry;
 - (v) installation of meters in new premises, compressed natural gas cylinders, liquefied natural gas storage facilities and ships, trucks or other modes of conveyance;
 - (vi) recovery of charges for the supply of gas;
 - (vii) connection or disconnection of service pipes;
 - (viii) prevention of gas leakages including reporting requirements in cases of gas leakages;
 - (ix) powers of entry for purposes of inspection, including entry into premises during continuance and on discontinuance of supply;
 - (x) powers of entry for replacing, repairing or altering pipes;
 - (xi) coordination and emergency response;
 - (xii) health and safety provisions, governing protection of the public from injury, fire, explosions and other dangers arising from the transportation of gas;
 - (xiii) distribution or the use of gas supplied through pipes;
 - (xiv) provisions for environmental matters;
 - (xv) local content principles including the requirements for technology transfer of knowledge and skills to Tanzanians; and
 - (xvi) any other regulation for better carrying out of the provisions and purposes of this Act.

(3) Powers under this section to make regulations may be exercised either in relation to all of those cases subject to specified exceptions, or in relation to any specified cases or class of cases.

Rules

- 260.**-(1) EWURA may make rules prescribing-
- (a) conduct of activities by licensees; and
 - (b) performance of its functions under this Act, including-

- (i) the form, manner and contents of licence application;
- (ii) the form and a manner in which registration shall be made;
- (iii) the procedure to be followed in considering licence applications;
- (iv) damage to gas fittings and interference with gas meters;
- (v) determination of tariffs, rates, charges and fees;
- (vi) regulatory accounting and reporting standards;
- (vii) customer service standards;
- (viii) non-discriminatory access to gas facilities that are designed for common carriage, including gas transportation, distribution, storage, liquefaction, and re-gasification facilities;
- (ix) the operation and management of transportation and distribution systems;
- (x) monitoring technical and safety standards;
- (xi) inspection of licensees books of account and premises;
- (xii) metering;
- (xiii) the requirements for maintenance, drawing up, auditing and publication of separate accounts by licensees in respect of regulated activities;
- (xiv) terms and conditions for licences.

(2) Powers to make rules under this section may be exercised either in relation to all cases subject to specified exceptions or in relation to any specified cases or class of cases.

Sub-Part III Repeal and savings

Repeal and savings
Cap.328 and
Cap.392

261.-(1) The Petroleum (Exploration and Production) Act and the Petroleum Act are hereby repealed.

(2) Any subsidiary legislations made under the Petroleum (Exploration and Production) Act and the Petroleum Act which are in force immediately before the commencement of this Act, shall remain in force, so far as they are not inconsistent with this Act.

(3) All existing licences granted or agreements entered for the purpose of carrying out petroleum operations or petroleum supply by a person to whom the licence was issued under the Petroleum (Exploration and Production) Act or the Petroleum Act shall be deemed to have been granted or made for the purpose of this Act and shall remain in force and effect until lawfully determined.

Cap.328

(4) Where at the commencement of this Act, a person is carrying on petroleum operations or petroleum supply in which he was not required by any law to be licenced or to hold a grant or lease to do so, but in respect of which the permit is required in this Act or the regulations such person shall be deemed to be a permit holder for the purpose of this Act.

(5) Where any lawful act or thing required or permitted to be done by or under this Act was done before the effective date of this Act, that act or thing shall be deemed to have been done under or by virtue of this Act.

(6) The current participants in the supply chain shall, whether licensed or not and within one year from the commencement of this Act, adjust operations and facilities in order to comply with the provisions of this Act.

FIRST SCHEDULE

(Made under section 21(1))

Vice Chairperson	1. Members of the Board shall elect from amongst themselves a Vice Chairman of the Board
Tenure of office of Board members	2. -(1) The Chairman and members of the Board shall hold such position for the following fixed terms: (a) Chairman, five years; (b) one member of the Board, five years; (c) two members of the Board, four years; and (d) one member of the Board, three years. (2) The Chairman and members of the Board shall each be eligible for re-appointment for one further term of three years.
Termination of appointment	3. -(1) A member of the Board may, at any time, resign from office by thirty days notice in writing delivered to the Minister. (2) The Minister may remove a member of the Board: (a) if information relating to the conduct of a member, which could have precluded his appointment if it had been made available to the Minister, is brought to the attention of the Minister; (b) for incompetence; (c) for misbehaviour or misconduct; (d) for failure to disclose, at a Board meeting, a matter in which he has an interest; (e) for inability to perform the functions of his office arising from infirmity of body or mind; (f) who has been convicted of an offence and sentenced to imprisonment by a competent court in Tanzania or outside Tanzania; (g) for bankruptcy or insolvency; or (h) for absence, without prior permission of the Chairman, or without reasonable cause to the satisfaction of the Minister, for more than four consecutive meetings of the Board, or absence from Tanzania for more than twelve months. (3) Where it appears to the Minister that there is cause to remove a member under subparagraph (2), the Minister shall notify the member concerned in writing and shall give the member an opportunity to submit his explanation to the Minister. (4) A person removed under this paragraph is not entitled to any

benefits that may be payable to him.

Remuneration
of Board
members

4. The Chairman and other members of the Board shall be paid such remuneration as may be determined by the Minister.

Filling of
vacancies on
the Board

5.-(1) Where a member of the Board resigns, dies, is removed from office or is for any other reason unable to act as a member of the Board, the Chairman shall notify the Minister of the vacancy within one month after the occurrence of the vacancy.

(2) The Minister shall, after being notified of the vacancy under subparagraph (1), appoint another person to hold office for the remainder of the term of the previous member.

(3) Where the member of the Board referred to in subparagraph (1) is the Chairman of the Board, the Secretary to the Board shall notify the Minister of the vacancy and the Minister shall advise the President accordingly to appoint a person to hold the office of Chairman for the unexpired portion of the Chairman's term of office.

SECOND SCHEDULE

(Made under section 114(1))

ROYALTY AND PROFIT SHARE

1. A licence holder on behalf of itself and the Contractor shall discharge obligation to pay royalty out of gross production under the Act in respect of petroleum produced from the Contract Area, by delivering to the Government 12.5% for onshore/shelf areas and 7.5% for offshore of total crude oil/natural gas production prior to cost oil and or cost gas recovery at such royalty otherwise to be delivered to the Government in such manner as the Government may direct.
2. The Government's profit share in petroleum produced from the Contract Area shall be at the rate of not less than the rates specified in the tables below:

A. Rates for the Government Profit Share on Crude Oil:

i. For On shore and Shelf areas:

Daily Quantities of Crude Oil in barrels	Government Share in percentage	Contractor Share In Percentage
0 - 12,499	50%	50%
12,500 - 24,999	55%	45%
25,000 - 49,999	60%	40%
50,000 - 99,999	65%	35%
100,000 – and above	70%	30%

ii. For Deep Off shore/ deep water areas :

Daily Quantities of Crude Oil in barrels	Government Share in percentage	Contractor Share In Percentage	
0 – 49,999	50%	50%	
50,000 - 99,000	55%	45%	
100,000 - 149,999	60%	40%	
150,000 - 199,999	65%	35%	
200,000 - and above	70%	30%	

B. Rates for the Government Profit Share on Gas:

i. For On shore and Shelf areas:

Daily Quantities of Gas in MMSCFD	Government Share in percentage	Contractor Share In Percentage	
0 - 19.99	60%	40%	
20 - 39.99	65%	35%	
40 - 59.9	70%	30%	
60 - 79.99	75%	25%	
80 - and above	80%	20%	

ii. For deep offshore:

Daily Quantities of Gas in MMSCFD	Government Share in percentage	Contractor Share In Percentage	
0 - 149.999	60%	40%	
150 - 299.999	65%	35%	
300 - 449.999	70%	30%	
450 - 599.999	75%	25%	
600 - 749.999	80%	20%	
750 - and above	85%	15%	

THIRD SCHEDULE

(Made under section 162(1))

EXEMPTION FROM OBLIGATION TO APPLY FOR AND HOLD A LICENCE

1. A person engaged in gas reticulation for that person's exclusive use.
2. A person involved in gas reticulation and trading activities incidental thereto.

OBJECTS AND REASONS

This Bill proposes for enactment of the Petroleum Act, 2015. The major aims of this legislative enactment are threefold. In the first place, the Bill proposes the repeal of two legislations, namely the Petroleum (Exploration and Production) Act, Cap. 328 which was dealing with the upstream petroleum operations, and the Petroleum Act, Cap. 392 which was dealing with mid and downstream petroleum supply operations.

The second objective of this Bill is to propose for provisions covering the mid and downstream gas activities. Prior to these proposals, there has been no reliable and effective legislation to regulate the mid and downstream gas activities in the country. Thirdly, the Bill seeks to consolidate and put in place a single, effective and comprehensive legal framework for regulating the oil and gas industry in the country. Thus, through consolidation, the Bill takes on board provisions regulating upstream petroleum operation (which were regulated by the Petroleum (Exploration and Production) Act, Cap.328), mid and downstream petroleum supply operations (which were regulated by the Petroleum Act, Cap. 392), and the mid and downstream gas activities (which are new proposals).

The upstream petroleum operations that the proposed enactment seeks to regulate include petroleum exploration, development and production. The midstream and downstream petroleum supply operations include all operations and activities relating to importation, landing, loading, transformation, transportation, storage, distribution, wholesale or retail trade of petroleum products. The mid and downstream gas activities intended to be regulated include processing, liquefaction, re-gasification, transportation, storage, distribution, supply, import, export and trade in natural gas.

For better appreciation of substantive provisions of the proposed enactment, the Bill is divided into XII Parts.

Part I provides for preliminary provisions including the name of the proposed legislation, its application and interpretation of words invariably used in the Bill. It further proposes in Clause 4, the vesting in the Government, the entire property in and control over petroleum in its natural state.

Part II proposes for administration provisions. This Part clearly stipulates the institutional framework that administers the oil and gas industry in the country. In this regard, the Minister responsible for petroleum affairs is entrusted with supervisory and oversight functions in the petroleum and natural gas subsectors. In addition to that, the Minister is empowered to grant, renew, suspend or cancel any petroleum exploration or development

licence, however, the powers to grant, renew or cancel a licence endowed to the minister does not extend to mid and downstream oil and gas activities.

Apart from the role of the Minister, Part II has taken on board provision establishing two new entities. These entities include the Oil and Gas Advisory Bureau (OGA) which is essentially the National think-tank on matters relating to oil and gas. Functions of the Bureau are well elaborated in Clause 9.

The Petroleum Upstream Regulatory (PURA) is yet another entity created by provisions of Part II. PURA is empowered with a supervisory and regulatory role of the upstream petroleum operations. The mid and downstream petroleum as well as gas activities are proposed to be regulated by the current Energy and Water Utilities Regulatory (EWURA).

Part II also proposes for provisions that confer on the Tanzania Petroleum Development Corporation (TPDC), the status of the National Oil Company. Thus, in discharging activities under the proposed Act, TPDC shall be referred to as the National Oil Company. The National Oil Company is mandated with the task of managing the country's commercial interest in the petroleum operations as well as mid and downstream natural gas activities.

To achieve the intended objectives, the National Oil Company is proposed to be vested with exclusive rights in the entire petroleum upstream value chain and the natural gas mid and downstream value chain. However, the exclusive rights of the National Oil Company does not extend to mid and downstream petroleum supply operations.

Part III provides for upstream petroleum operations. It covers all matters relating to, or associating with upstream petroleum operations, and is sub-divided into seven Sub-Parts. Sub-Part I deals with matters relating to management of petroleum areas and reconnaissance permits. Sub-Part II covers aspects relating to petroleum rights, licences and agreements. It contains salient provisions on exploration and development licences. Sub-Part II deals with matters relating to surrender, cancellation and suspension of licences, while Sub-Part IV deals with information and documentation. Sub-Part V and VI covers obligations of licensees and contractors, and matters relating to surface rights. Lastly, Sub-Part VII provides for petroleum fiscal regime in which case matters relating to imposition of royalty on petroleum, annual fees, bonus payment, recovery of payment and security for compliance are provided for. It further provides for obligation of the licence holder and contractors to pay tax including corporate tax, capital gain tax and all other payable under tax laws applicable in Tanzania.

Part IV of the Bill proposes for provisions relating to midstream and downstream activities of both petroleum and natural gas activities. To appreciate the paramount importance of provisions relating to mid and downstream petroleum and gas activities, this Part is sub-divided into eleven Sub-Parts. Sub-Parts II to VII covers mid and downstream natural gas activities, and they contain provisions relating to exclusive rights of the aggregator, approval for construction of petroleum infrastructure, licensing of midstream activities (processing, transportation, storage, liquefaction, re-gasification, shipping and distribution), tariffs, rates and

charges, gas pricing mechanism as well as access to land for installations. Sub-Parts VIII to X provides for mid and downstream petroleum supply operations which include importation, transportation, transformation, storage and distribution.

Part V proposes for provisions relating to cessation of petroleum operations and gas activities. This Part aims at ensuring that areas in which petroleum operations or gas activities are undertaken are restored to their original condition after expiration of the period of time for which such activities were authorized to be undertaken. In this regard, this Part contains provisions relating to submission of decommissioning plan by the licence holder to the EWURA and the PURA, establishment of decommissioning fund (a special fund into which monies are deposited by licence holder for purpose of facilitating the process of restoration of areas in which petroleum and gas activities were authorized to be undertaken), notification of cessation of use, disposal of decommissioned facility, removal and sale of property, and takeover of facilities of the holder of licence by the Government.

Part VI of the Bill provides for provisions relating to health and safety, the objective of this Part is to provide for comprehensive provisions that safeguards public health and safety in areas where petroleum or gas infrastructure situates or petroleum operations or gas activities are undertaken. In particular, it tends to protect the lives of people in such area. In that respect, this Part contains proposed enactments covering aspects such as safety precautions, emergency preparedness, safety zones, suspension of petroleum activities and adoption of international standards and specifications in natural gas activities.

Part VII deals with aspects relating to environment. It carters for both upstream petroleum operations as well as the mid and downstream petroleum and gas activities. It aims at ensuring that the environment in areas where petroleum and gas activities are undertaken, are well preserved. This is due to the fact that petroleum and gas activities, if not properly monitored, may cause excessive negative impacts to the environment. For those reasons, this Part makes provisions for compliance with environmental principles and imposes liabilities for non-compliances. It further contains provisions for combating gas leakage or petroleum spill.

Part VIII deals with Government participation, Local Content, Corporate Social Responsibility and Integrity Pledge. The purpose of this Part is to stipulate how the Government can successful participate in the entire petroleum value chain. It also seeks to ensure that the oil and gas industry benefits all Tanzanians. In this regard, this Part contains provisions on preference of using of goods and services provided by Tanzanian entrepreneurs, training and employment of Tanzanians, as well as technology transfer.

Part IX proposes for financial provisions, whereby he sources of funds of the Petroleum Upstream Regulatory (PURA) are well set out. It further provides for matters relating to tax exemption, accounts, audit and annual reports of PURA.

Part X provide for offences and penalties for any person who contravenes the provisions of this Bill.

Part XI deals with dispute settlement mechanism, whereby the EWURA and PURA are empowered to resolve any dispute arising from petroleum operation as well as gas activities. It also contains provisions relating to enforcement of decrees and orders issued by the EWURA and other matters relating to Appeals.

Part XII deals with general provisions including conflict of interest, powers of the Minister to make regulations as well as repeal, savings and transitional provisions.

Dar es Salaam,
15th May, 2015

GEORGE B. SIMBACHAWENE
Minister for Energy and Minerals