Honourable William M. Ngeleja (MP), Minister for Energy and Minerals;

Your Excellency Ambassador I.B. Chiallo; The Chairman of the Association of Oil and Gas of Tanzania (OGAT),

Invited Guests;

Ladies and Gentlemen.

It is a great pleasure for me to participate in this Stakeholders’ meeting that has brought together representatives from the Petroleum Upstream Industry, Government Ministries, Independent Agencies, NGOs and other Private Sector participants.

Two months ago, I met with a Delegation comprising of Representatives from the Ministry of Energy and Minerals and the Oil and Gas Association of Tanzania (OGAT) who came to my office to introduce their newly formed Oil and Gas Association of Tanzania (OGAT). Apart from that, OGAT also took the opportunity to raise a few issues which according to them were affecting the development of Petroleum Industry in the Country. Noting the potential importance of the Petroleum Industry to Tanzania, we decided that, it was worthwhile to organise a Meeting with all the Stakeholders of the Petroleum Upstream Industry in order to familiarize ourselves with this growing industry. The Meeting would also facilitate an understanding of the ongoing operations as well as appreciate the challenges being faced by the industry. I am, therefore, delighted that we have been able to meet in this conducive atmosphere where we can share our thoughts and chart out the best way of moving this important industry forward.

Opportunities Available

Distinguished Participants
Tanzania is privileged to have abundant natural resources which include various energy resources that can beneficially be harnessed for the purpose of assisting the development of this Country. One of the key Policy Objectives under our National Energy Policy is to ensure utilization of locally available energy resources for Socio-Economic Development in order to improve the quality of lives of our people.

The Legal and Fiscal Framework Governing exploration and production of the Oil and Gas in Tanzania is set out in the Petroleum (Exploration & Production) Act of 1980. This Act is the basis for Granting of Exploration and Development Licenses in this Country. It spells out the broad terms and conditions of the Licence and also vests petroleum resources to be managed by the State. It defines the powers of the Minister and those of the Commissioner for Energy and Petroleum Affairs, including those of formulating Regulations.

Since the enactment of the Law in 1980, a number of changes have taken place in the industry which necessitates the need for its amendment. These include exploration and production of Oil and Gas in deep waters including the extended continental shelf, and changes in the fiscal regime.

Status of Oil and Gas Exploration
Distinguished Participants

Since we started exploration for Oil and Gas in the Country in 1950’s, we have managed to discover Natural Gas which started to be used in July 2004 for Power Generation and in Industries in Dar es Salaam.

A number of exploration companies operating in Tanzania now stand at 13 which are the highest number since we started Exploration for Oil and Gas. Number of wells that have been drilled so far is 45. Exploration efforts are continuing.

Distinguished Participants

So far Tanzania has managed to have Four Gas Reserves which have been discovered in the Country. These are the Songo Songo, Mnazi Bay, Mkuranga and the Kiliwani Gas Reserves.

The Songo Songo Gas Reserves has proven reserves of about 850 Billion Cubic Feet (bcf) and a possible reserves of more than 1.5 Trillion Cubic Feet (tcf).

The Mnazi Bay has 242 Billion Cubic Feet (bcf) of proven reserves and possible reserves of more than 2 Trillion Cubic Feet (tcf).

The Mkuranga and Kiliwani Gas Reserves which were discovered in 2007 and 2008 have yet to be appraised, their reserve status is not yet known.

Production Sharing Agreements (PSA)

Distinguished Participants,

Production Sharing Agreements (PSA) in Tanzania is a tripartite Agreement involving the Government of the United Republic of Tanzania as a resource owner, Tanzania Petroleum Development Corporation (TPDC) and Exploration Companies as Operators/contractors. The Production Sharing Agreements is negotiated taking into account the need to balance risks for both sides so as to obtain arrangements that constitute a win win situation for the parties. I wish to reiterate that, the Government will continue to fully co-operate with all Operators in fulfilling their obligations under the Agreement, and also facilitate them where necessary in order to enable them achieve the desired objectives.

Distinguished Participants,

As you all know all agreements on Oil and Gas exploration are periodically updated to take into account changes in law, industry and investment climate. I am informed that one of the papers to be presented today will discuss the potential of Gas resources in Tanzania. I am also informed that, the available geological and geophysical data indicate that Tanzania has a huge potential for gas discovery in the Deep Sea Basins. In that context, and for the purposes of proper monitoring and managing Gas Industry, the Government through the Ministry of Energy and Minerals is in the process of enacting a Gas Legislation and make Regulations which will cater for natural gas downstream including processing, transportation, distribution and storage.

Distinguished Participants,

Going through briefs from the Energy Sector, I have learned that exploration for Oil and Gas is capital intensive, risky and it has long gestation periods. Experience has also shown that, to attract the risky capital is a challenging task particularly to countries such as Tanzania, where no discoveries of Oil have been made. I am aware that, one of the OGAT members recently spent more than USD 100 Million to drill one well in Mafia Island. Though the well did not discover commercial quantities of Oil or Gas, I am told that geological information obtained will improve the understanding of the area and Deep Water Basin in the east of Mafia. The Mafia example indicates the level of commitment the investors have in fulfilling their work program in Tanzania. I would like
to take this opportunity to urge other exploration companies to follow this level of commitment. We have a Swahili saying which says “MTAKA CHA UVUNGUNI SHARTI AINAME”, Which simply means “Whoever want to pick something under the bed, He/She has to bend down”. Consequently, the successes of discovery and exploration will depend on the number of wells drilled. I am confident that it won’t be long before your effort is rewarded with huge discoveries.

**Distinguished Participants,**

Discovery of Natural Gas in Tanzania has enabled the Country to significantly switch from using expensive sources of fuel to a cheaper and more environmental friendly source. Currently, we have 334 MW of installed capacity of Natural Gas fired turbines which is now being used to generate electricity. In addition, about 25 industries in Dar es Salaam are using Natural Gas as a source of energy. The Southern Regions of Mtwara and Lindi which used to receive unreliable power supply from thermal generators are now getting reliable power supply from the Natural Gas Fired Power Generators. This is a great achievement to our Country as we have been able to substitute expensive imported petroleum fuel with locally available Natural Gas. I understand that, plans are underway to expand power generation using Natural Gas from both the Songo Songo and Mnazi Bay Gas fields in order to meet the current power demand in the Country.

**Challenges**

**Distinguished Participants,**

Despite the notable achievements that have been registered, there are a number of challenges that the industry is facing in carrying out their operations in the Country. For example:

(i) Issues related to tax which the industry would like some clarifications.

(ii) Operational issues including permits and other consents that the industry may be facing difficulties to obtain; and

(iii) Legal and Regulatory Reforms that the industry would wish to see implemented so as to improve operational performance of the Industry for the benefit of all parties.

Let me urge you all to discuss these issues openly in this Workshop and since the Government is well represented, we will take on board your recommendation and see which are feasible within Government Operations Plans. It is our resolve as Government to see to it that the pace of Petroleum Exploration in the Country is increased in order to discover more energy resources and to quickly develop the already discovered resources.

I assure OGAT Members and other Stakeholders that the Government is committed to see to it that concerns that are negatively affecting the Petroleum Sub-Sector are resolved as quickly as possible for the benefit of all parties.

**Distinguished Participants,**

While Oil and Gas discoveries is a blessing to most of us, it can be a curse if mishandled. Many countries which have discovered hydrocarbons have strong economies while others who mismanaged the resources are now either at a very poor state or there is poor or unequal distribution of income from Oil and Gas sales. This has resulted into chaos and unrest in the respective Countries. I wish to assure you that the Government is committed to see to it that, the discoveries of hydrocarbons in Tanzania will be put to good use for the benefit of our present and future generations.

The Petroleum Legislation and Environment Acts emphasize on the need to observe Safety, Health and the Environment while carrying out Petroleum Operations. I am told
that, the Exploration Companies in Tanzania are observing good Oil Industry practice as well as our laws when carrying out Petroleum Operations. This is good news.

I would also like to draw your attention to the recent incident in the Gulf of Mexico which resulted into fatality of the crew involved in the rig and massive pollution of the ocean and beaches of the coastal states in the Gulf of Mexico. This is an example of unforeseen technical challenges which may happen while carrying out Oil and Gas activities onshore and even offshore. I am sure the magnitude of the impact would have been severe if the incident had happened in a Developing Country like Tanzania. I wish therefore to take this opportunity to urge OGAT, its Members and all Exploration Companies operating in the Country to draw lessons from this latest incident and ensure that, Petroleum Operations are carried out professionally and with outmost care. Operators will also need to prepare appropriate strategies and plans for avoiding or mitigating such events in order to minimize negative impacts.

Excellencies, Distinguished Participants, Ladies and Gentlemen,
Let me conclude by taking this opportunity to commend all Exploration Companies for their decision to choose Tanzania as their destination for investment in Petroleum Upstream Industry. It is our hope that, you will be good corporate Citizens and carry out your activities in accordance with the good Petroleum Industry Practices. We do also expect that as part of your Corporate responsibilities, you will co-operate with and assist the communities in and around the Contract Areas whenever possible, through implementing various Social and Economic Projects.

You are also encouraged to give preference to the purchase of Tanzanian goods, services and materials provided that, such goods, services and materials are available in the right quantity, quality and that they are comparable to those obtained elsewhere. This undertaking is in line with the Government’s efforts for encouraging job creation and empowerment.

Ladies and Gentlemen,
With these remarks, I have the honour and privilege to declare the Stakeholders Meeting of Oil and Gas Industry in Tanzania officially opened.

I thank you for your kind attention.