National Gas Policy: Civil Society perspective

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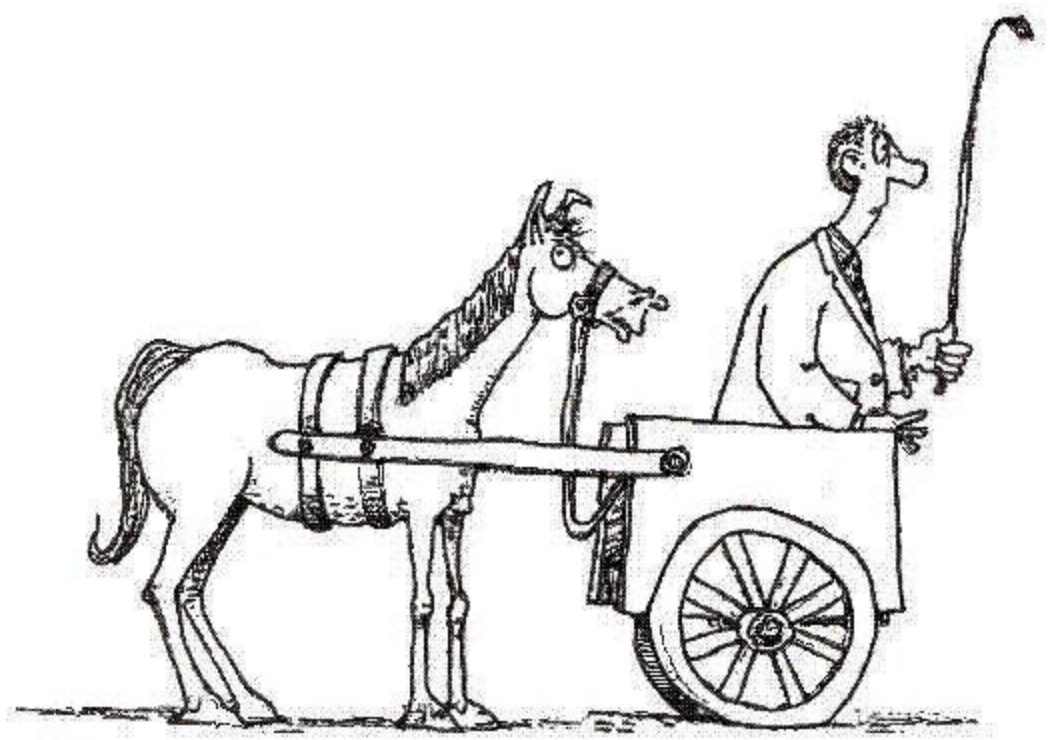
Point of departure

Confusion in getting the petroleum sector governance framework right?



Why Petroleum Policy first and not Gas Policy ?

- Oil and Gas co-exist under the soil at exploration and extraction process is the similar.
- Petroleum Policy should be the supreme law with regards to the sector.
- The proposed draft Gas Policy `avoids' the upstream matters, while focusing on mid and down stream issues. It passes back responsibility to non existent Petroleum Policy.
- There are fundamental questions regarding monitoring and regulatory capacity of the sector. There is no way that the Gas Policy can unilaterally change the functions of TPDC for example without undermining Petroleum law.

This contravenes the spirit of petroleum sector reforms.

Gas is not solution to energy insecurity

•Its based on creating monopoly rather than energy balance. As it presupposes to give over 3000 Megawatts by 2015 way above the overall electricity requirement ,shutting out hydro and renewables.

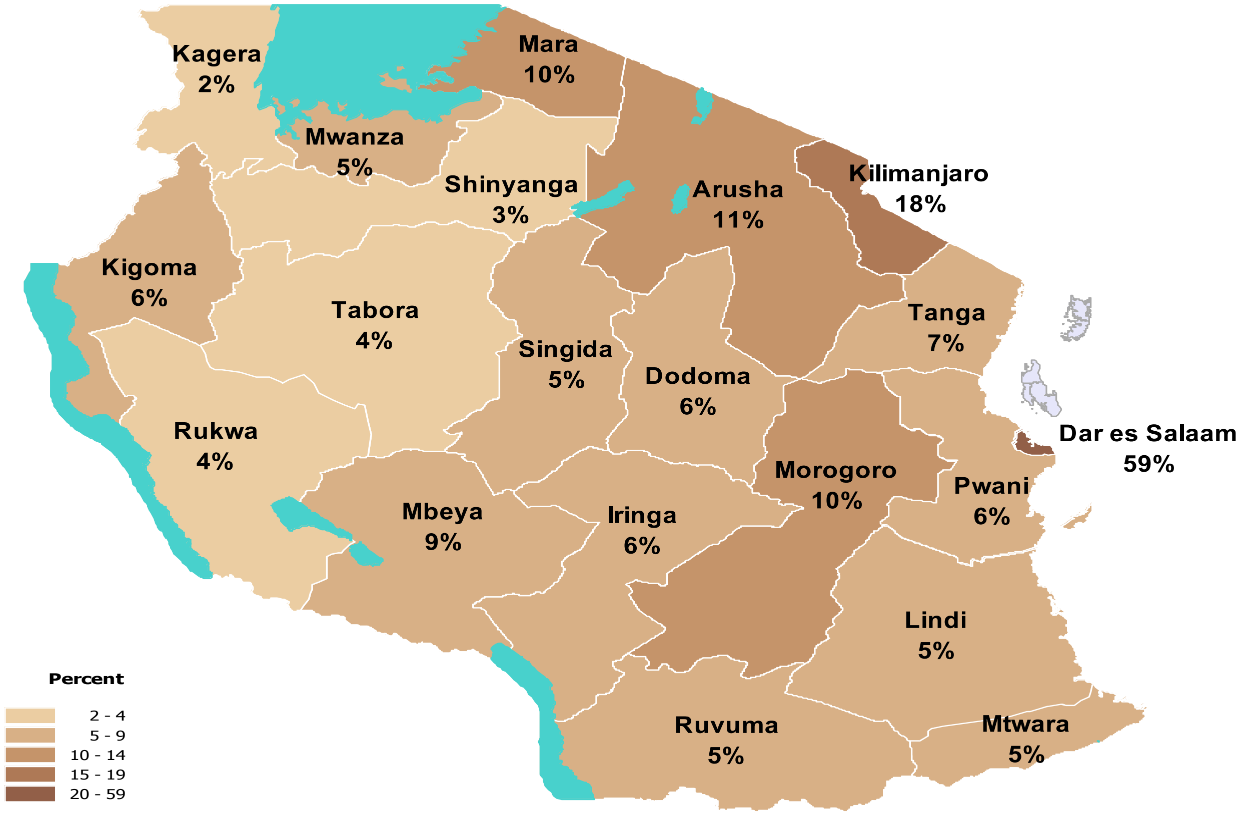
•It has obvious danger of turning the country back from pushing for renewable energy.

•It pushed burden on already overwhelmed TANESCO and infant Rural Electrification Agency(REA)

Potential

Hydro: 4.7 GW (only 12% developed);
Coal: 1.2 billion tones of which 304 million tonnes are proven;
Natural Gas: > 45 billion cubic meters;
Others: Solar, Biomass, Wind, Geothermal

Percentage of households with access to grid electricity (HBS 2000/2001)



The problem is infrastructure and distribution capacity

Nationalism is not the same as nationalisation

•State control of the means of production is not the same as maximising the benefits for the nation.

•Beyond the political speeches, the question remains: do the citizens feel that they get fair return on their resources.

•Is the policy driven by purely commercial interest, or its build on solid developmental agenda

Is it development important beyond figures and statistics?

Unclarity in regulatory and monitoring framework

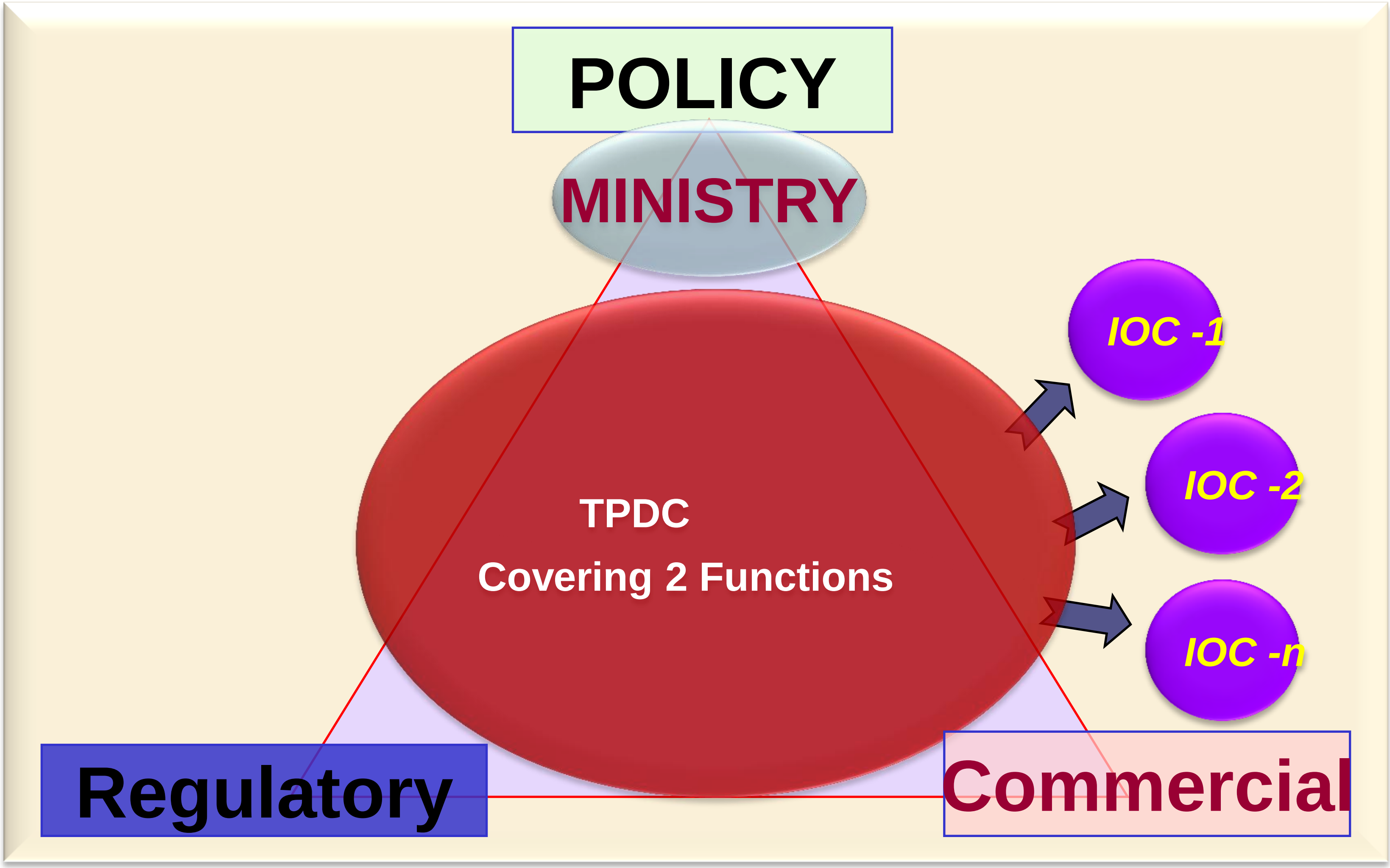
- The Gas policy has decided on TPDC being National Oil Company and creating another entity to be regulator.
- This means that TPDC is proposed to handle commercial interest on behalf of the government?
- What is the name of new entity? How is it structured?
- What happens to past contracts where TPDC were both regulator and benefactor?

- Is TPDC current design reflecting a commercial ambition?
- How much of public money do we put in financing TPDC?
- Is it fair competition for other Oil Companies?

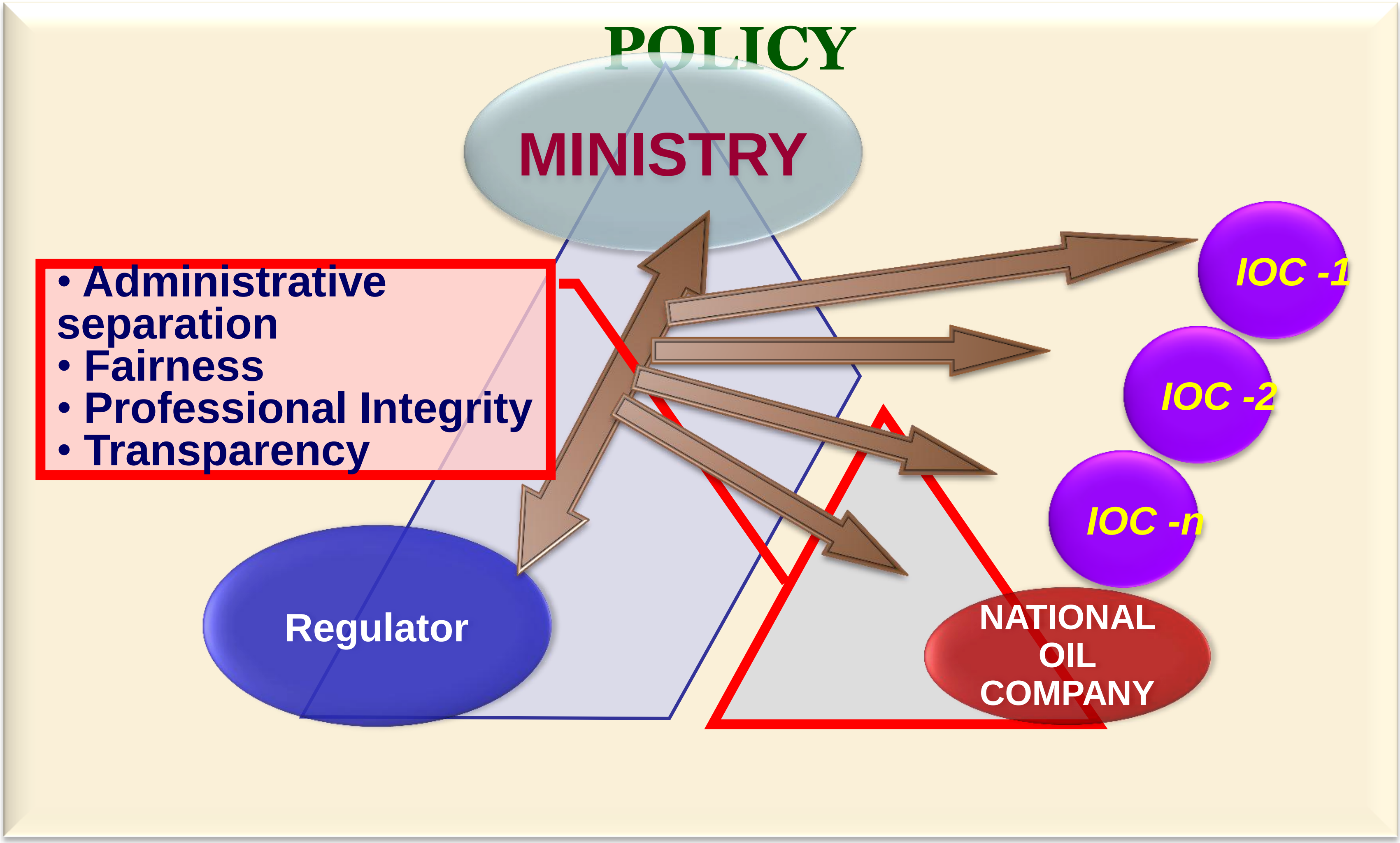
WHAT ARE THE ADVANTAGES OF National Oil Companies?

- To learn the business from within.
- To help in industrialising the country on the basis of its indigenous petroleum resources.
- To promote the development of local content.
- To maximise profit to the government!!
- To eventually become a regional/global player
- To help secure energy for the host country in the short and long term.

As it was.............


POLICY
MINISTRY
TPDC
Covering 2 Functions
IOC -1
IOC -2
IOC -n
Regulatory
Commercial

After learning from this Norwegian Model.....



The challenge is to control the national company. The question is HOW?

- ***Through appointing the Board of Directors?***
- ***By carefully and clearly defining the statutes?***
- ***By Ministry officials sitting on the Board of the NOC?***
- ***By direct instructions to NOC in Parliament?***
- ***Through budget allocation if NOC is financed through the National Budgets?***

Reduce leakages and Increase linkages

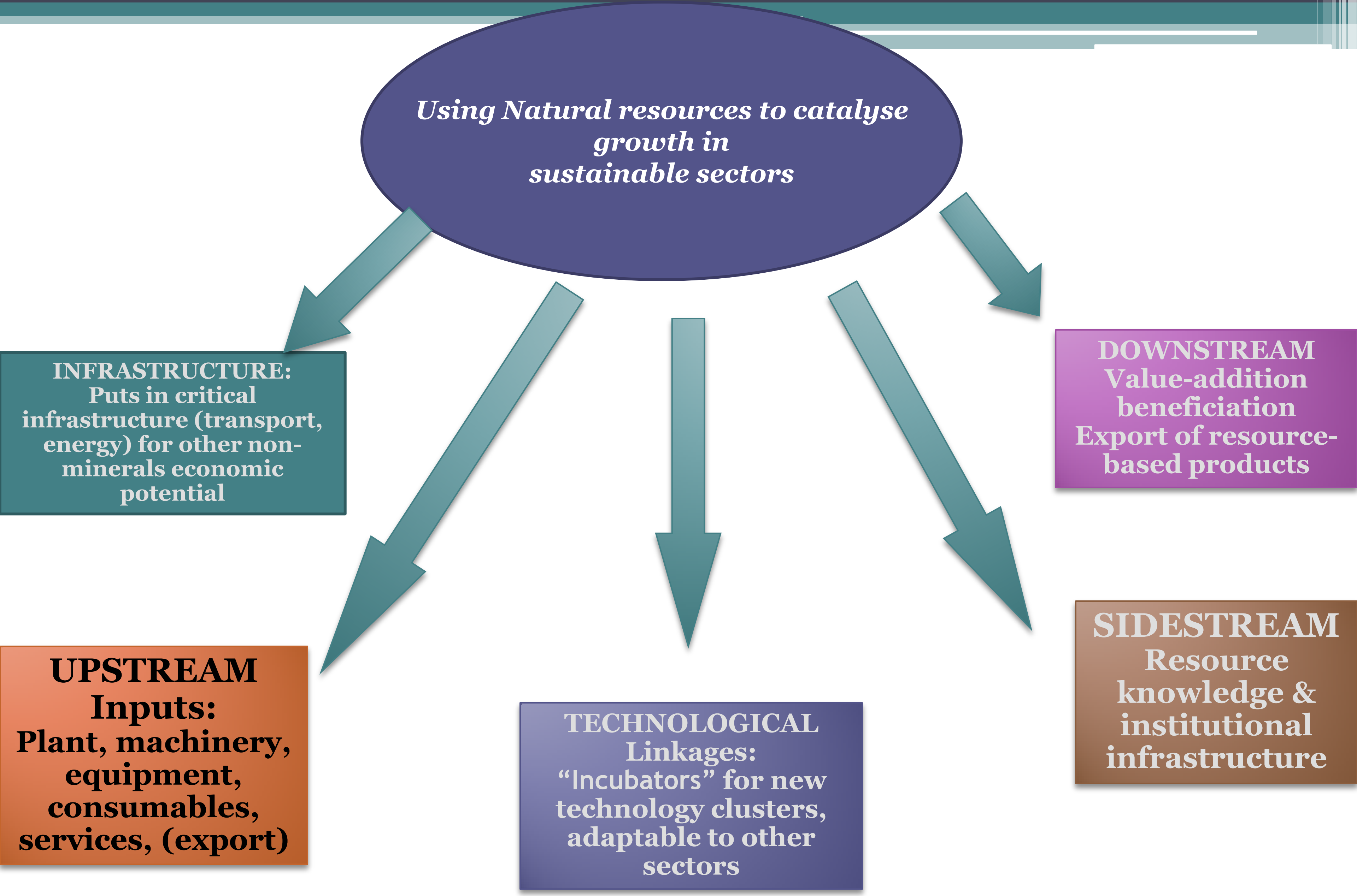
- Start with contract transparency
- Reduce Capital flight
- Maximize retention in the local economy

Benefits coming from natural resources are not incomes and should not be treated as one

Its just a conversion of one form of asset to another one

Maximizing the benefits of local content is not the same as to maximize local content

Tanzania like many countries is obsessed with percentages


Using Natural resources to catalyse growth in sustainable sectors
INFRASTRUCTURE: Puts in critical infrastructure (transport, energy) for other non-minerals economic potential
DOWNSTREAM Value-addition beneficiation Export of resource-based products
UPSTREAM Inputs: Plant, machinery, equipment, consumables, services, (export)
TECHNOLOGICAL Linkages: “Incubators” for new technology clusters, adaptable to other sectors
SIDESTREAM Resource knowledge & institutional infrastructure

Building the institutional capacity and Human Resource

•No country can develop without putting priority on its citizens or people growth.
•Then human resource development becomes an important master piece in the overall strategy.

•Weak regulatory institutions could be a deterrent to resource development process.
•There should checks and balances including separation of roles in policy making from sector and environmental regulation.

The petroleum industry has a large potential for causing harm to the environment

- Risk for large oil spill
- Occupies large areas whether the activities are on sea or land
- Large waste streams from normal operations
- Large amounts of chemicals are used
- Large amounts of wastes are generated and disposed
- Important ecosystems may be threatened

Is this an environmental disaster in waiting?
Another Niger Delta

Do we have oil spill contingency plan or
Are we waiting for another Mexican Gulf disaster

Thank you

Asanteni sana