

**TOR Ondersteuning van het Tanzaniaanse team van onderhandelaars inzake olie en gas
PROJECTNR: MAG17TZ01**

PROJECT PLAN: Support for the Tanzania Team of Negotiators for Oil and Natural Gas	
General	
Country	Tanzania
Sector	<i>Energy, Energy production, oil and gas</i>
Start	ASAP
Project duration	1 year
Project information	
Project purpose	With this project we aim to support the Tanzania Team of Negotiators for Oil and Natural Gas who are currently negotiating a Host Government Agreement for the Tanzania Liquefied Natural Gas Project and the Uganda–Tanzania Crude Oil Pipeline team with the aim of getting the maximum for Tanzania out of oil & gas deals.
Institutional setting	<p>In May 2015 the Chief Secretary of the United Republic of Tanzania launched <u>a team of negotiators for oil and natural gas</u>. The team has 25 experts with different backgrounds, ranging from Ministry of Energy and Minerals to the Bank of Tanzania (BoT). The ambition of the team is to represent the country in negotiating all natural gas and oil contracts with International Oil Companies (IOCs) so as to tap the best deals for the socio-economic benefit of Tanzania and its people.</p> <p>On the other side of the table are the International Oil Companies (IOC's) related to the Tanzania Liquefied Natural Gas Project and the Uganda–Tanzania Crude Oil Pipeline. These IOC's are a.o. Statoil ASA, ExxonMobil, Shell/BG, and Total. Companies with a wealth of experience in these kinds of negotiations.</p>
Problem analysis	<p>The first offshore discovery of natural gas in Tanzania was made in 2010. Since then, other finds have been made by several petroleum prospecting companies. Currently Tanzania boasts 57tcf of proven natural gas reserves, which is the third-highest figure in sub-Saharan Africa after Nigeria and Mozambique.* The international oil companies involved decided in 2014 to build a liquefaction facility in Lindi, targeting primarily the Asian market. In August 2016, Tanzanian President John Magufuli publicly urged government bureaucrats to fast track the project so that construction could start.</p> <p>Moreover Uganda has proven oil reserves exceeding 6.5 billion barrels, of which about 1.7 billion barrels are recoverable. The country plans to build a refinery in the Western Region to process what is needed locally and regionally, with the rest exported via pipeline to the Indian Ocean coast.</p> <p>Uganda previously agreed to build a joint Uganda–Kenya Crude Oil Pipeline to the Kenyan port of Lamu. Concerns regarding security and cost, however, motivated parallel negotiations with Tanzania</p>

regarding a shorter and safer route to Port Tanga, with the support of the French petroleum conglomerate Total SA. In April 2016, Uganda officially announced its choice for the Tanzania route for its crude oil, in preference to the Mombasa or Lamu routes in Kenya.

In the summer of 2016 the negotiating team was up to speed, specialists were appointed and ready to start. Their first mission; the Host Government Agreements (HGA's) for the Liquefied Natural Gas (LNG) plant in Lindi Region and the Uganda-Tanzania Crude Oil Pipeline. With support from the new president the discussions have started on the HGA's. In a Terms of Reference an outline for the coming negotiation process has been agreed upon.

Negotiations about HGA's are complex and challenging to both sides of the table. There are many issues to be considered like tax, land rights, environmental protection, social impact, labour & technical standards, technology transfer, access to resources & facilities etc. Even for International Oil Companies (IOC's) with a wealth of experience these negotiations are challenging, let alone for a country like Tanzania who only just recently entered the international gas-scene. Moreover the negotiation strategy is closely linked to government policy and investment decisions concerning the development of domestic market and regional and LNG export gas markets.

Both the Government of Tanzania (GoT) and the IOC's are aware of the differences in experience and knowledge between them. When the negotiation team was launched the Chief Secretary emphasised the need equip negotiators with the necessary negotiation skills and techniques.

You don't bridge years of experience dealing with these kinds of billion dollar deals overnight, but sometimes negotiations can accelerate quite a bit by getting independent experts on board. One of the main challenges for the negotiation team will be to value proposals from the IOC's. Without a framework of reference it is quite difficult to assess whether what is offered is the maximum that one can get. Independent experts, with experience in multiple other countries, have that framework of reference and can advise the team in this respect.

Without support from independent experts the negotiations about the HGA's could take quite some time. Support to the team is both in the interest of Tanzania as the IOC's. For Tanzania it is important to keep pressure on the process as not to lose out internationally. There is currently a lot of gas on offer on the international gas market and there are easier accessible assets. From the IOC-perspective longer negotiations has a price tag (f.i. additional staff costs).

Intervention:

The overall objective of this programme is to support the capacity of the negotiation team with the aim of getting the maximum for Tanzania out of oil & gas deals.

	<p>For this purpose, support is provided in determining the best negotiation strategy while at the same time building the capacity of the negotiating team. Subsequently on the job support of the negotiation team will be provided for a limited period of time while simultaneously a long term approach is developed to enable the Government of Tanzania to be supported by independent consultants. Options that will be explored for the long term solution are: Technical Assistance from donors (such as the AfDB) or a funding mechanism involving IOC-contributions for an independent consultant (f.i. via ESCROW)</p>
<p>Results</p>	<p><i>1.A . Negotiation strategies that are fully supported by the TZ government have been defined for the HGA's for the LNG plant and Uganda pipeline.</i></p> <p><i>B. the negotiation teams capacity is built to work based on these strategies</i></p> <p><i>2) The negotiation team has been adequately supported (and evaluates the support to be satisfactory);</i></p> <p><i>3) A strategy for longer term support attuned to the interests and possibilities of the different stakeholders has been defined and proposed</i></p>
<p>Activities</p>	<p>1.) The consultant(s) should support the negotiation team in drafting a strategy for the upcoming HGA-negotiations and build their capacity to work along these strategies.</p> <p><i>√ At least 2 missions with workshops/working meetings for the negotiation team in which:</i></p> <ul style="list-style-type: none"> <i>- ambitions of Tanzania are critically assessed</i> <i>- a stakeholder analyses is made to assess what the ambitions IOC's are strategically assessed</i> <i>- International experiences are shared and best practices are shared</i> <i>- Tanzania's position in the international market is assessed,</i> <i>- based on ambitions, stakeholder analyses, market assessments, outlooks, a.o. an HGA-strategy is defined.</i> <p><i>√ Discussions with important stakeholders (like Minister of Energy) to get support for the defined strategy.</i></p> <p>2.) The consultant(s) should provide support to the negotiation team during the negotiations.</p> <p><i>√ Discussions, mail contact, telephone calls during the actual negotiations to assess proposals, fine-tune the strategy etc. This will include at least 6 visits to Tanzania from the core Dutch team as well as specialised experts on particular issues that may come up. During these visits the focus will be on advice and on the job training, on occasion, additional workshops/trainings will be organised, on the issues that the negotiation team is facing. These missions can be combined with activity 3.</i></p> <p>3) Considering the limited means of this programme a longer term alternative for support needs to be designed and agreed upon. In</p>

	<p>the ideal situation there is no support gap.</p> <ul style="list-style-type: none"> ✓ <i>Talk to potential donors about willingness for long term support</i> ✓ <i>Talk to IOC's about willingness and possibilities to support</i> ✓ <i>Discussing options with relevant stakeholders</i> ✓ <i>Putting options on paper</i> ✓ <i>Getting (political) support for the most viable option</i> ✓ <i>Making preparations for executing the agreed option.</i>
Indicator(s) output/outcome	<p>(at least)</p> <ul style="list-style-type: none"> - <i>number of participants</i> - <i>Negotiation strategies developed</i>
Communication	<p>Considering the potential sensitivity of this support on the Tanzanian side communication should be carefully considered and discussed with TZ partners.</p>
Observations for further development	<p>An important prerequisite for success for this programme is that the consultants are perceived independent from the IOC's. This demands careful consideration during execution. Communication with IOC's is instrumental for the better results but should be carefully managed.</p> <p>The implementing parties will be asked to propose including African expertise in the project team as well.</p> <p>During the support of the Tanzanian team of negotiators ICSR aspects will be addressed (such as the environmental impact and local content requirements). Moreover attention will be paid to international climate agreements, both because of the possible impact on the development of the gas sector and related to the development of the domestic gas market as part of the overall energy mix.</p>

*[Gas fuels Tanzania, Mozambique growth | East & Horn Africa](#)