



Gas Regulation

in 32 jurisdictions worldwide

Contributing editors: Florence Ninane, Alexandre Ancel
and Liliana Eskenazi

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Tanzania

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Description of domestic sector

- 1 Describe the domestic natural gas sector, including the natural gas production, liquefied natural gas (LNG) storage, pipeline transportation, distribution, commodity sales and trading segments and retail sales and usage.

Natural Gas Production (NGP)

Significant gas discoveries have been made on the coastal shores of Songo Songo Island, Mnazi Bay and Kimbiji and commercial exploitation for power generation began in July 2004. Overall, a total of 35 explorations and wells have been drilled, a majority of them along the coastal basin. The reserves of Songo Songo and Mnazi Bay are estimated to be 30bcm and 15bcm respectively.

The natural gas produced by private companies is mostly used to generate electricity, which is then sold to the government-owned utility company Tanzania Electric Supply Company Limited (TANESCO) and fed into the national electricity grid, which supplies electricity to the public, at a tariff. Some of the gas is applied to domestic use and other related uses.

Liquefied Natural Gas (LNG) storage

There is insufficient demand for LNG reserves to justify bulk LNG storage facilities/operations. Gas is largely distributed directly from the pipeline to the user and for domestic use LNG is delivered in refillable cylinders.

Pipeline transportation

There is only one 22.5km pipeline owned by a private operator, Songas Limited, connecting Songosongo, a small island off the coast south of Dar es Salaam where gas is extracted, and Dar es Salaam. From recent parliamentary talks, plans are on the way to build more pipelines linking our gas fields to neighbouring East African countries like Rwanda, Malawi, Zambia etc once the domestic needs are met.

Distribution

Gas is distributed from the landing point at Ubungu in Dar es Salaam through a network of low pressure pipelines to different industries, which are about 34 in total.

Commodity sales

Consumers purchase gas for different uses, including the production of manure, generation of electricity, thermal industrial applications, and petrochemical industrial production and for domestic purposes. Purchasers of gas for electricity generation usually buy at a price agreed upon with the supplier under an agreement that is usually for a term of 24 years. Consumers who use gas for domestic purposes are normally charged a higher price, which generally depends on fluctuations in the global oil market.

Usage

95 per cent of the gas (compressed natural gas) is used for power production in 34 industries in Tanzania. The industries use the gas for their boilers. Recently, the Tanzanian Petroleum Development Corporation (TPDC) started supplying natural gas to residential areas. However, this is on a trial basis as only three homes neighbouring the TPDC headquarters have benefited from this exercise.

- 2 What percentage of the country's energy needs are met directly or indirectly with natural gas and LNG? What percentages of the country's natural gas needs are met through domestic production and imported production?

Natural gas meets between 35 and 40 per cent of the country's energy needs. There is greater demand for natural gas during dry seasons on account of the fall in the level of water in the dams where hydro-power is generated, and less demand during the rainy seasons.

All natural gas requirements are met through domestic production and there is no importation of gas.

- 3 What is the government's policy for the domestic natural gas sector and which bodies set it?

The government's policy specifically relating to the domestic natural gas sector, as spelt out in the National Energy Policy (NEP) of 2003 is:

- to promote natural gas exploration and exploitation;
- to promote development of natural gas markets for diversified applications; and
- to establish an appropriate regulatory framework for the NG industry.

The following policy statements under the NEP relate to the energy sector generally and have implications for the natural gas industry.

Energy efficiency and conservation

Government policy is to enhance energy efficiency and conservation initiatives in all sectors and to carry out industrial energy audits, particularly in energy intensive industries.

Energy trade and cooperation

The government aims to increase collaboration between East-African countries, SADC and non-SADC states in the area of energy with emphasis on future interconnections, and to facilitate international collaboration in research, exchange of data, information and documentation.

Energy information system

The government is committed to establishing and strengthening a proper information and communication system in the energy sector and the mobilisation of human resources to undertake sensitisation, advocacy and dissemination of information to stakeholders.

Environment, health and safety

Government policy is to promote: environmental impact assessment as a requirement for all energy programmers and projects; energy efficiency and conservation as a means towards cleaner production and pollution control measures; development of alternative energy sources, including renewable energies and wood fuel end-use efficient technologies to protect woodlands; and disaster prevention, response plans and introduce standards for exploration, production, conversion, transportation, distribution, storage and fuel end-use.

Investment

Government policy is to promote private initiatives at all appropriate levels and make local and foreign investors aware of the potentials within the energy sector; and to ensure that a transparent and predictable institutional framework, including incentives, is in place to provide for an enabling environment for investment in the energy sector.

Gender issues

The government aims to promote gender equality within the energy sub-sectors both on the demand and supply; to facilitate education and training for women in all energy aspects; to promote awareness on gender issues concerning men and women's social roles in the energy sector, including training on appropriate technologies; and to promote awareness and advocacy on gender issues in the energy sector.

Capacity building

The government wishes to encourage energy education in school curricula, vocational training centres, colleges and other relevant learning institutions. The emphasis should be on practical aspects including physical demonstration, installations and operation.

Human resources development

The government will encourage local and foreign investors and other financiers in the sector to train Tanzanians in essential skills and encourage and appropriately reward good performance and conduct by individuals or organisations in the sector.

Research and development

Government policy is to promote and cooperate regionally and internationally on research and development of energy forms and on related advanced and innovative environmentally sound technologies in the energy sector.

The bodies that set and administer the NEP include:

- the Ministry of Energy and Minerals (MEM), which is the major ministerial sector that deals with all factors concerning gas in the country such as exploration, exploitation and licensing;
- the Tanzania Petroleum Development Corporation (TPDC), which directly regulates gas exploration and development. As a primary licensee and signatory to production-sharing agreements, the TPDC monitors natural gas production contractually;
- the Energy and Water Utilities Regulatory Authority (EWURA), which regulates four sub-sectors, namely electricity, petroleum, natural gas and water and sewage. As regards natural gas, the general function of EWURA is to regulate its exploration, production and distribution; and
- the National Environmental Management Council (NEMC), a semi-autonomous body that works under the office of the vice president and is responsible for regulating all environmental activities in the country.

Regulation of natural gas production

- 4 What is the ownership and organisational structure for production of natural gas (other than LNG)? How does the government derive value from natural gas production?

The principal law regulating ownership of natural gas and the organisational structure for production of natural gas in Tanzania is the Petroleum (Exploration and Production) Act 1980 (the PEP Act).

All petroleum and natural gas resources in Tanzania (onshore and the land beneath territorial waters and the continental shelf) are, by law, the property of the government. In order to carry out any operations relating to the exploration or production of petroleum resources and NG a licence must be obtained from the MEM.

In order to be eligible for a licence the applicant must either be a Tanzanian citizen or a company. The company need not be incorporated in Tanzania (namely, incorporated as a limited liability company under the Companies Act 2002) or registered in Tanzania (namely, a foreign incorporated company may establish a place of business in Tanzania and be registered as a foreign incorporated company in accordance with the provision of the Companies Act 2002), and there are no foreign shareholder restrictions. However, as a matter of policy and practice, all exploration and production licences are granted to and are held by a government agency known as the Tanzania Petroleum Development Corporation (TPDC) established under the Tanzania Petroleum Development Corporation (Establishment) Order, 1969 (the TPDC Order).

- 5 Describe the statutory and regulatory framework and any relevant authorisations applicable to natural gas exploration and production.

The statutory and regulatory framework applicable to natural gas exploration and production is spelt out in the PEP Act whose main features are as follows:

- the PEP Act was passed in tandem with the National Energy Policy of Tanzania and was intended to create a favourable legal regulatory framework for natural gas and petroleum production and distribution by oil companies. It provides clear licensing guidelines according to which companies or Tanzanian nationals can apply to the government for concessions (effectively via production sharing agreements) to carry out exploration and development activities in respect of petroleum resources (which includes crude oil and natural gas);
- the PEP Act creates the post of the commissioner for petroleum affairs, who is a presidential appointee, and is charged with the overall administration of the PEP Act;
- as outlined above, all exploration and production licences are granted to and are held by the TPDC. Prospective investors in petroleum and NG exploration and production must first sign a production sharing agreement (PSA) with the TPDC before the minister will issue either an exploration or development licence. The PSA is deployed as a regulatory tool as regards petroleum and NG. The model PSA envisages good faith negotiations upon the discovery of gas in order to reach an agreement on its development, production and sale;
- a licence, or any interest in any licence (whether equitable or legal, and whether direct or indirect), may not be transferred unless prior approval is obtained from the minister for energy and minerals. An indirect interest in a licence includes, for example, rights of a contractor under a PSA. In order to request approval an application must first be made to the commissioner for petroleum affairs. Upon receiving an application to transfer a licence (or an interest in the licence) the commissioner for petroleum affairs will examine the application and make a recommendation to the minister for energy and minerals. The request is then referred to the minister for energy and minerals for a final decision;

- the restrictions outlined above effectively prohibit any changes to the shareholders of the contractor under a PSA, and any transfer of any interest under a PSA being made without the consent of the MEM;
- the holder of an exploration licence may apply to the MEM for a first extension to its licence for an additional four year period, and then for a second extension of three years. The PEP states that any extension granted by the MEM will be subject to the conditions specified in the licence, however under section 28(4) PEP the MEM is given the power to alter any conditions specified in the licence that may be required in order to give effect to the extension. It is important to note that the power of the MEM to alter the licence is limited to matters that would be required to 'give effect to the extension'. Therefore section 28(4) PEP does not give the MEM a broad right to vary any of the terms of the licence. An application to extend an exploration licence may only be made in respect of a total number of blocks not exceeding the sum of blocks that have been declared a location by the MEM (namely, oil or gas has been discovered within the block or adjoining block); and half the number of blocks as are contained in the original licence. Where an application is made for a development licence such licence will only be in respect of those blocks that have been declared a location by the MEM;
- if petroleum or natural gas is discovered during the last two year period of an exploration licence that has already been extended for the additional four and three year period, and the MEM has decreed that the area in which the discovery was made is a 'location' under the PEP Act, then a further extension of up to three years may be granted by the MEM; and
- the commissioner is empowered to inquire into and decide all disputes between persons (other than the government) engaged in exploration or development operations, as between themselves and also in relation to disputes between themselves and third parties not engaged in exploration and development operations, in each case in connection with:
 - boundaries of any exploration or development area;
 - any act committed or omitted in the course of exploration operations; and
 - the payment of compensation under the PEP Act.

Orders made by the commissioner are enforceable by the courts as if they were an order given by the court. Appeals against an order of the commissioner may be made to the High Court.

Other laws that impact on the NG industry include the following.

The TPDC Order

The TPDC Order made provision for the creation of the Tanzania Petroleum Development Corporation (TPDC) as a state-owned corporation established by the government of Tanzania made under the Public Corporations Act. The TPDC's functions are to regulate directly petroleum exploration and development. As a primary licensee and signatory to production-sharing agreements, the TPDC monitors oil and natural gas production contractually.

Energy and Water Utilities Regulatory Authority Act (the EWURA Act)

The EWURA Act, as amended by the Fair Competition Act, No. 8 of 2003, established a regulatory authority known as EWURA (Energy and Water Utilities Regulator Authority) to regulate the technical and economic aspects of four resource sectors, namely: electricity, petroleum, natural gas, and water and sewerage.

Environmental Management Act, No. 20 of 2004 (the EMA)

The EMA provides a cross-sector legal and institutional framework for sustainable management of the environment in which exploration, production and distribution takes place. The EMA establishes

the National Environmental Management Council (NEMC), a semi-autonomous body that works under the office of the vice president and is responsible for regulating all environmental activities in the country, including approving environmental impact assessment reports in relation to petroleum exploration and production.

The Tanzania Investment Act No. 26 of 1997 (The TIC Act)

The TIC Act established the Tanzania Investment Centre (TIC) as an agency of the Ministry of Finance with responsibility to enhance investment in Tanzania by acting as a one-stop centre to serve foreign investors by coordinating, encouraging, promoting and facilitating investment in the country and to advise the government on investment policy.

The Tanzania Revenue Authority Act (the TRA Act)

The TRA Act established the Tanzania Revenue Authority (TRA) a semi-autonomous revenue collection agency responsible for the administration of all tax laws. The TRA operates under the auspices of the Ministry of Finance in the assessment and collection of taxes due in accordance with the Income Tax Act, the VAT Act, the Stamp Duty Act and associated regulations.

The key taxes administered by the TRA that are of relevance to the petroleum industry are as follows:

- income tax at a rate of 30 per cent on profits earned (once the holder of the petroleum licence commences commercial production);
- withholding obligation on payment of emoluments to employees (PAYE) according to section 81 of the Income Tax Act (ITA) at individual income tax rates;
- social security contributions for company's employees equal to 20 per cent of the employees monthly gross salaries. The legal requirement is for 10 per cent to be paid by the employer and 10 per cent by the employee. As a matter of practice the full 20 per cent will be deducted by the employer;
- withholding tax on investment returns, which includes withholding tax on payments of dividends (at a rate of 10 per cent), interest on loans (at a rate of 10 per cent), natural resource payments (at a rate of 15 per cent), rent (at a rate of 10 per cent) and royalty payments (at a rate of 10 per cent);
- withholding tax on payment of technical services fees and any other payment for service fees payable to non-residents attracts tax at a rate of 15 per cent; and
- value added tax (VAT) under the Value Added Tax Act, Cap 148. Although at the exploration stage the licensee does not have any sales (turnover), it is recommended that it registers for VAT in order to qualify for a refund of any VAT incurred on its purchases and expenses. Without operating the VAT scheme one cannot claim VAT refund.

Regulation of natural gas pipeline transportation and storage

- 6 Describe in general the ownership of natural gas pipeline transportation, and storage infrastructure.

Ownership is best described as combined ownership entered into by distribution companies owned by foreign oil companies (the contractors), TPDC and the government through production and sharing agreements (PSA). For instance, the Songo Songo Island gas infrastructure is owned by Songas Limited (the processing plant and transportation pipeline) and Pan African Energy (Tanzania) Limited (the Dar es Salaam distribution network). At the option of TPDC, all assets owned by the contractors in connection with the NG operations (such as buildings, piers, harbours, pipelines, wellheads, separators, compressors, pumps, power lines and telephone lines) shall become the property of TPDC either at the expiry or termination of the PSA, or once the full costs incurred for the acquisition of the asset in question have been recovered by the contractor out of product.

Update and trends

The current trend and development in the regulation of the domestic natural gas sector is that there has been strong debate in the parliament of the United Republic of Tanzania to have legislation that deals specifically with the gas sector. It will be known as the Gas Supply Bill. The minister and deputy minister of energy and minerals have assured parliament that a draft bill will be presented in the next parliamentary session.

There is strong public outcry that the country is not benefiting enough from the sector, millions of dollars are missing in taxes and local communities in the areas from where the gas is extracted are complaining that the gas companies are not doing enough for the development projects they promised the people living in those areas. This has led to the government proposing a review of all gas contracts in the sector.

Where the ownership of assets has transferred to TPDC during the term of the PSA the contractors continue to retain the exclusive right to use (free of any charge) the asset for the purpose of carrying out the development activities.

The contractors may retain ownership to assets if it either renews an expired agreement or enters into another agreement within Tanzania.

There is no storage infrastructure.

- 7 Describe the statutory and regulatory framework and any relevant authorisations applicable to the construction, ownership, operation and interconnection of natural gas transportation pipelines, and storage.

The EWURA Act has established a regulatory authority known as the Energy and Water Utilities Regulator to regulate the water and energy sector, including the technical aspects of the downstream petroleum business.

The Petroleum Act, 2008 governs the transportation, storage and wholesale and retail distribution of natural gas. It empowers EWURA to perform technical, safety and economic regulatory functions in respect of the natural gas supply.

TPDC is a state-owned corporation established by the government of Tanzania under the Tanzania Petroleum Development Corporation (Establishment Order (GN No. 140 of 1969), made under the Public Corporations Act. TPDC's functions include carrying out the business of prospectors, producers, refiners, storage users and distribution of the petroleum business.

- 8 How does a company obtain the land rights to construct a natural gas transportation or storage facility?

The acquisition of the title to land rights for the construction of natural gas transportation or storage facilities is obtained from the government. In order to acquire land rights, the area will first have to be surveyed, and a licence will only be provided from the MEM after such approval. Land rights will then be obtained from the Land Registry.

- 9 How is access to the natural gas transportation system and storage facilities arranged? How are tolls and tariffs established?

The government has the exclusive right to all types of petroleum operations, including access to gas transportation and storage facilities. Any person interested in performing supply operations for natural gas needs to obtain a licence by way of an application to the EWURA. Prices and terms of service are prescribed in the regulations by the minister responsible for finance and are collected by TRA or such other institutions as may be prescribed by the minister and deposited in the energy account in the ministry established for purpose of energy development.

- 10 Can customers, other natural gas suppliers or an authority require a pipeline or storage facilities owner or operator to expand its facilities to accommodate new customers? If so, who bears the costs of interconnection or expansion?

Gas is a natural resource belonging to the state and all gas operations, including expansion of existing facilities, are under government control. The government may direct any pipeline or storage facilities operator to expand its facilities to accommodate new customers and may require the beneficiary to bear the cost of interconnection and expansion.

- 11 Describe any statutory and regulatory requirements applicable to the processing of natural gas to extract liquids and to prepare it for pipeline transportation.

A licence is required to process natural gas to extract liquids and to prepare it for pipeline transportation. EWURA and TPDC are the licensing authorities.

- 12 Describe the contractual regime for transportation and storage.

The onshore transportation of natural gas from offshore installation to onshore pipeline is covered under PSAs entered into by the government, TPDC and foreign oil companies. Onshore transportation of gas is carried out through transmission and distribution pipelines owned and operated by the government

Regulation of natural gas distribution

- 13 Describe in general the ownership of natural gas distribution networks.

Ownership is best described as combined ownership entered into by distribution companies owned by foreign oil companies, TDPC and the government through PSAs. For instance, the Songo Songo Island gas infrastructure is owned by Songas Limited (the processing plant and transportation pipeline) and Pan African Energy (Tanzania) Limited (the Dar es Salaam distribution network).

- 14 Describe the statutory and regulatory structure and authorisations required to operate a distribution network. To what extent are gas distribution utilities subject to public service obligations?

EWURA has established a regulatory authority known as the Energy and Water Utilities Regulator to regulate four sub-sectors, namely electricity, petroleum, natural and water and sewerage. As regards natural gas, the general function of EWURA is to regulate the exploration, production and distribution. EWURA decisions in dispute settlement can be challenged by an aggrieved party by appealing to the Fair Competition Tribunal.

- 15 How is access to the natural gas distribution grid organised? Describe any regulation of the prices for distribution services. In which circumstances can a rate or term of service be changed?

The process starts with an application made to the concerned distribution company by an industrial or domestic consumer. The concerned distribution company, after reviewing and approving the application, signs the gas supply agreement. The process for distribution services is regulated under the gas supply contracts signed between a gas distribution company and consumer. The prices, however, cannot be higher than the prescribed price set by the government from time to time.

16 May the regulator require a distributor to expand its system to accommodate new customers? May the regulator require the distributor to limit service to existing customers so that new customers can be served?

Yes, the regulator can require a distributor to expand its system or to limit the service to existing customers to accommodate and serve a new customer.

17 Describe the contractual regime in relation to natural gas distribution.

The content of agreements to be concluded in a gas distribution agreement by a customer and the distribution company are the minimum charge, gas supply time, flow rate, bill payment procedures and the sanctioned load.

Regulation of natural gas sales and trading

18 What is the ownership and organisational structure for the supply and trading of natural gas?

Any interested company that has obtained a licence and approval from a concerned authority can engage in the business of supply and trading of natural gas. The organisational structure will vary between a licensee and a licencee but the government may retain or exercise control over the organisational structure.

19 To what extent are natural gas supply and trading activities subject to government oversight?

The government retains significant control over natural gas supply and trading activities through the NEP, the PEP Act and the PSAs under it and the EWURA Act.

20 How are physical and financial trades of natural gas typically completed?

Physically, financial trades and natural gas are completed by the gas supply agreement between the parties and standard terms of agreements are negotiable on a case-by-case.

21 Must wholesale and retail buyers of natural gas purchase a bundled product from a single provider? If not, describe the range of services and products that customers can procure from competing providers.

Wholesale buyers and retail buyers are not restricted to purchasing a bundled product from a single provider.

Currently, however, there is only a single provider, which is TPDC jointly with Pan African and retail buyers. As a result of this, retail buyers of natural gas must purchase the gas as a bundled product from the single provider.

Regulation of LNG

22 What is the ownership and organisational structure for LNG, including liquefaction and export facilities and receiving and regasification facilities?

Not applicable.

23 Describe the regulatory framework and any relevant authorisations required to build and operate LNG facilities.

EWURA is the government body that has powers and mandate to grant licences for approving licences for construction of petroleum installations including LNG facilities. Currently, however, because there are no LNG business operations in Tanzania, no licences are being applied for by Ewura.

24 Describe any regulation of the prices and terms of service in the LNG sector.

EWURA helps the government to monitor petroleum and gas market trends in the country in order to ensure that no price cartels are formed.

In addition, the FCC monitors the market and trade practices of participants in various sectors including the energy sector.

Mergers and competition

25 Which government body may prevent or punish anti-competitive or manipulative practices in the natural gas sector?

There are three authorities with both investigatory and punitive powers to apply penalties and sanctions to anti-competitive and manipulative practices in the natural gas sector. These are the EWURA, the Fair Competition Commission (FCC) and the Fair Competition Tribunal (FCT).

26 What substantive standards does that government body apply to determine whether conduct is anti-competitive or manipulative?

The law does not exactly specify what it deems to be harmful competition outright; rather, it requires the FCC and FCT, as expert bodies, to analyse the impact of companies, taking into consideration current and expected market conditions and the positions of various players.

27 What authority does the government body have to preclude or remedy anti-competitive or manipulative practices?

The FCC and FCT.

28 Does any government body have authority to approve or disapprove mergers or other changes in control over businesses in the sector or acquisition of production, transportation or distribution assets?

A merger is subject to notification before the FCC if either:

- the combined market share of the two companies is above 35 per cent of the market; or
- the combined market value of assets of the two companies is above 800 million shilling threshold.

Upon receipt of the notification, the FCC will issue a notice of complete or incomplete filing within five working days and after the issuance of a notice of complete filing will proceed to determine whether or not the proposed merger or acquisition should be examined within 14 working days. If no response is received from the FCC within 14 days that it wishes to conduct an investigation, the parties are free to proceed with the transaction.

If the FCC determines that the proposed merger or acquisition should be examined, such merger or acquisition will not be allowed to take place for a maximum of 90 days to allow the FCC to complete the examination. The duration for review process can further be delayed if the FCC decides that it has been delayed in obtaining information from any of the parties, but either way the decision should be produced within 90 working days.

29 In the purchase of a regulated gas utility, are there any restrictions on the inclusion of the purchase cost in the price of services?

According to the Law of Contract, every agreement by which anyone is restrained from exercising a lawful trade or business is to that extent void, unless restraint is reasonable by reference to the interests of the parties and in reference to the interests of the public.

- 30** Are there any restrictions on the acquisition of shares in gas utilities? Do any corporate governance regulations or rules regarding the transfer of assets apply to gas utilities?

Acquisition of shares in the energy sector is subject to the provisions of the Fair Competition Act (FCA), except where the provisions of the Energy and Water Utilities Regulatory Authority Act (EWURA Act) supersede it in respect of the following activities:

- formation of cartels;
- barriers to entry and exit;
- abuse of dominant position and market power;
- formation of mergers and acquisitions for anti-competitive purposes;
- attempts to control prices;
- the creation of artificial shortages of products or services; and
- other restrictive trade practices as defined in the FCA, with the intention to contravene the principles of fair competition or impede the functioning of a free market for energy products within the country.

Furthermore, the EWURA Act establishes EWURA to regulate the issuance, renewal and revocation of the relevant licences, determine the rates and charges of the services as well as monitor the performance of investments and the quality and efficiency of the services in respect of the regulated services. 'Regulated services' is defined as services supplied in the electricity, petroleum, natural gas, water and sewage sectors.

International

- 31** Are there any special requirements or limitations on foreign companies acquiring interests in any part of the natural gas sector?

Limitations are provided for Tanzanian's listed companies wherein aggregate foreign investors are prohibited from holding more than 60 per cent of the total number of issued shares of a Tanzanian listed company.

Other than this, and for non-listed companies, there are no such restrictions, except for those provided by the company memorandum and articles of association.

It is also worth noting that in cases of absolute acquisition, the licence is not transferable unless an approval is obtained from the regulator.

- 32** To what extent is regulatory policy affected by treaties or other multinational agreements?

International and regional treaties or multinational agreements are only of persuasive effect until ratified by the government of Tanzania and 'domesticated'. However, Tanzania has ratified a number of both regional and international treaties and the provisions of many regulatory instruments conform with international standards.

- 33** What rules apply to cross-border sales or deliveries of natural gas?

These activities are regulated by contract between the parties. Otherwise, domestic and regional tax and customs laws are applicable, posing restrictions on certain import and export transactions unless the necessary approvals are obtained; an export permit from the relevant authority will be required.

Transactions between affiliates

- 34** What restrictions exist on transactions between a natural gas utility and its affiliates?

The Companies Act prohibits financial assistance, whether direct or indirect, in connection with a purchase or subscription for any shares in the company made by a company or its subsidiary company, unless they obtain an approval from the Capital Markets and Securities Authority.

- 35** Who enforces the affiliate restrictions and what are the sanctions for non-compliance?

If the company acts in contravention of the restrictions of the Companies Act, it shall be in default and liable to a fine as demanded by the registrar of companies. Thus, it is advisable to conclude all transactions in an 'open book' to avoid further associated penalties, such as tax evasion.

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