

**SUBSIDIARY LEGISLATION**

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THE PETROLEUM ACT  
(Cap. 392)

THE PETROLEUM (NATURAL GAS INDICATIVE PRICES) (SPECIAL STRATEGIC INVESTMENTS) ORDER, 2017

*(Made under Section 165)*

PART I  
PRELIMINARY PROVISIONS

Citation and  
Commencement

1. - (1) This Order may be cited as the Petroleum (Natural Gas Indicative Prices) (Special Strategic Investments) Order, 2017.

(2) This Order shall come into operation on such date the Order is published in the Government *Gazette*.

Application

2. - (1) This Order shall apply to Mainland Tanzania.

(2) This Order shall remain in force until revoked by the Authority pursuant to the provisions of the Petroleum (Natural Gas Pricing) Regulations.

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Interpretation

3. Unless the context otherwise requires:

Cap. 392

“Act” means the Petroleum Act, 2015;

Cap. 414

“Authority” means the Energy and Water Utilities Regulatory

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Authority established under Section 4 of the Energy and Water Utilities Regulatory Authority Act;

“cost reflective price” means the price that is attained after the allocation of prudently incurred network costs to those who incur them and reflects the real cost of using natural gas;

“gas distribution tariff” means a fee determined by the Authority based on tariff applications by local natural gas distribution network operators. The natural gas distribution tariff calculation includes the capital investment, operation and maintenance costs, and appropriate margins;

“gas processing tariff” means a fee determined by the Authority based on tariff applications by the natural gas processing facility of gas liquids, removing condensates, cryogenic operations to extract butane, propane and natural gas liquids. The natural gas processing tariff calculation includes the capital investment, operation and maintenance costs, and appropriate margins;

“gas transmission tariff” means a fee determined by the Authority based on tariff applications by the natural gas transmission system operators. The natural gas transmission tariff calculation includes the capital investment, operation and maintenance costs, and appropriate margins;

“indicative price” means the price of natural gas approved by the Authority and which the natural gas consumers anticipate paying or consider reasonable or maximum to pay for a particular good or service, it could refer to a situation-

- (a) where a licensee sells a good or service at a price just below the main price of its competitor; or

- (b) where a licensee sells a good or service at a larger discount to a previously advertised reference price;

“licensee” means a holder of a licence granted by the Authority under the Act;

“natural 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 vesse, 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 LNG;

“pooled wellhead gas price” means averaged out wellhead prices of domestic natural gas, which vary from reservoir to another, to make the cost of fuel or feedstock uniform;

“PURA” means the Petroleum Upstream Regulatory Authority established under section 11 of the Act;

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“Regulations” means the Petroleum (Natural Gas Pricing) Regulations;

“special strategic investments” mean the business that is specified for the purpose of the Finance Act, 2015 with the status that may be granted to projects which meets the following criteria-

- (a) a minimum investment capital of not less than the equivalent in Tanzanian Shillings of three

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hundred million US dollars (US\$ 300,000,000);

- (b) investment capital transaction is undertaken through a registered local financial and insurance institutions;
- (c) at least one thousand five hundred direct local employment is created with satisfactory number of senior positions in projects that does not require high and sophisticated technology; and
- (d) capability to significantly generate foreign exchange earnings, produce significant import substitution goods or supply of important facilities necessary for development in the social, economic or financial sector; and

G.N. No.143 of 1969      "TPDC" means the Tanzania Petroleum Development Corporation established under the Tanzania Petroleum Development Corporation (Establishment Order).

PART II  
THE DECISION

Decision

4. The Authority having considered the Consultation Document (Ref. FB. 277/325/01/ of 20<sup>th</sup> December 2016), the results of the inquiry and the analysis thereof has decided and orders as follows-

- (a) that the approved natural gas indicative prices for Special Strategic Investments during 2017 are as provided for in the Schedule;
- (b) that the entry/exit split of indicative price shall be 50/50;
- (c) that Special Strategic Investments may apply for the benefits given to them by the Government

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under section 20 of the Tanzania Investment Act of 1997 as amended;

- (d) that the approved natural gas indicative prices are exclusive of taxes and levies;
- (e) that the sellers of natural gas may negotiate equal or lower prices than the cost reflective prices with the end users as long as they get compensation; and
- (f) that the indicative prices for other customers (households, commercial, non-commercial, transport, electric power generation, and compressed natural gas) shall continue under the the current arrangements until such a time the Authority determines otherwise.

Annual Revision  
of the Order

5. The indicative prices for each year shall be reviewed by the Authority, at least twice a year in order to determine the indicative prices for the following half of the year.

SCHEDULE

*(Made under Order 4 (a))*

Table 1: Indicative Prices for Natural Gas to Special Strategic Investments in Fertilisers

GRP <sub>2017</sub> (US\$/MMBtu)	Pr (%)	AUP <sub>2017</sub>	URP <sub>2017</sub>	GCR (MMBtu/MT)	Indicative Price (US\$/MMBtu)
		(US\$/MT)			
2.60	25	233.92	250.00	26.10	
Indicative Price Formula, GP = GRP <sub>2017</sub> + (PR x [AUP <sub>2017</sub> - URP <sub>2017</sub> ]) + GCR					2.44
The ceiling Indicative Price for Special Strategic Investments in Fertilisers					7.50
The floor Indicative Price for Special Strategic Investments in Fertilisers					2.60
The Cost of Service equals to WHP + GPT + GTT + GDT + M <sub>sm2017</sub> + M <sub>f2017</sub>					5.36

where,

GRP<sub>2017</sub> means the natural gas minimum or floor price for 2017;  
AUP<sub>2017</sub> means Actual Urea (Granular) price FOB Middle East for 2017;  
URP means minimum acceptable Urea reference price;  
GCR means natural gas consumption rate of 26.10 MMBtu/MT of Urea;  
Pr means the premium of seller's participation;  
WHP<sub>2017</sub> means pooled wellhead natural gas price for 2017;  
GPT<sub>2017</sub> means natural gas processing tariff for 2017;  
GTT<sub>2017</sub> means natural gas transmission tariff for 2017;  
M<sub>sm2017</sub> means margin for supply and marketing service for 2017; and

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$M_{fi2017}$  means margin for future investment for 2017.

**Table 2: Indicative Prices for Natural Gas to Special Strategic Investments other than in Fertilisers, such as cement manufacturing business**

Zone set at every 100 km	WHP*	GPT	GTT	GDT**	$M_{sm}$	$M_{fi}$	Indicative Price
	(US\$/MMBtu)						
A	3.05324	0.95	0.76	0.40	0.05	0.15	5.36324
B	3.05324	0.95	0.85	0.40	0.05	0.15	5.46324
C	3.05324	0.95	0.94	0.40	0.05	0.15	5.55324
D	3.05324	0.95	1.03	0.40	0.05	0.15	5.64324
E	3.05324	0.95	1.12	0.40	0.05	0.15	5.73324
F	3.05324	0.95	1.19	0.52	0.05	0.15	5.80324

\* The pooled wellhead gas price published by PURA in the Government Gazette.

\*\* The distribution cost in large cities is more expensive compared to other areas

where.

Zone A: 100 km in Mtwara Region,

Zone D: 400 km in Bungu Area

Zone B: 200 km in Lindi Region,

Zone E: 500 km in Mkuranga Area

Zone C: 300 km in Somanga Fungu,

Zone F: 600 km in Dar es Salaam Region

Dar es Salaam  
10<sup>th</sup> March 2017

FELIX M. NGAMLGOSI  
Director General