

# *Extra Ordinary*

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## **CONTENTS**

*Page*

A Bill for an Act to provide the Oil and Gas (Upstream) Act, 2016 and matters Connected therewith and Incidental thereto.....	000
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## **NOTICE**

The Bills following hereunder shall be presented before the House of Representatives for certificate of urgency which will start its session on 21<sup>th</sup> day of May, 2016, and is gazetted for the public notice incorporating together with their object and reasons.

**ZANZIBAR**  
16 May, 2016

(Dr. ABDULHAMID Y. MZEE)  
*Secretary to the Revolutionary  
Council and Chief Secretary*

## A Bill

*for*

**AN ACT TO PROVIDE FOR REGULATION OF  
(UPSTREAM) OIL AND GAS ACTIVITIES, ESTABLISHMENT  
OF THE ZANZIBAR PETROLEUM (UPSTREAM)  
REGULATORY AUTHORITY, ESTABLISHMENT OF THE  
ZANZIBAR PETROLEUM DEVELOPMENT CORPORATION,  
AND TO SECURE THE ACCOUNTABILITY OF  
PETROLEUM ENTITIES AND TO PROVIDE FOR OTHER  
RELATED MATTERS**

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**ENACTED** by the House of Representatives of Zanzibar.

### PART I PRELIMINARY PROVISIONS

Short title  
and  
commence-  
ment.

1. This Act may be cited as the Oil and Gas (Upstream) Act, 2016 and shall come into operation on such date as the Minister may, by notice published in the official Gazette, appoint.

Application.

2. This Act shall apply to oil and gas existing in the territorial land, the islets, internal water, territorial sea, contiguous zone, exclusive economic zone and any other area as provided under the Constitution and derived from any other law for the time being enforce, and as may be extended and recognized by International law from time to time.

Interpretation.

3. In this Act, unless the context requires otherwise:

"affiliate" means any person who directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control of another person;

"applicant" means

"appraisal" means activities to be carried out after a discovery of petroleum with the aim of defining parameters of the petroleum and reservoir to which the discovery relates and determine its commerciality and include but not limited to:

- (a) drilling of wells and running productivity tests;
- (b) collecting geological samples and reservoir fluids; and
- (c) conducting supplementary studies and acquisition of geophysical and other data, as well as the processing of same data;

"appraisal well" means any well drilled after discovery of petroleum in a contract area for purpose of assessing the quantity and extent of petroleum in the target reservoir to which that discovery relates;

“applicant” means a Company or licence holder;

"associated gas" means natural gas which exists together with crude oil in a reservoir and includes gas cap which overlies and is in contact with crude oil;

"Authority" means the Zanzibar Petroleum (Upstream) Regulatory Authority established under section 7(1) of this Act;

"best international petroleum industry practices" means best available practices that are global general accepted as good, safe, transparent and efficient in carrying out upstream activities;

"block" means a surface area constituted as provided by section 33 of this Act;

"Board" means the Board of Directors of the Authority established under section 12(1) of this Act;

"Constitution" means the Constitution of Zanzibar of 1984;

"continental shelf" means seabed and subsoil of marine areas extending beyond the Zanzibar territorial sea, through the natural prolongation of the Zanzibar territory to the outer edge of the continental margin, or 200 nautical miles from the baseline used to generate the territorial sea and from which the breadth of the territorial sea is measured, and not beyond the median line to another state, unless otherwise derived from the rules of International Law for continental shelf beyond 200 nautical miles from the base lines or from an agreement with the neighboring State;

"contract area" means an area in which at any particular time is subject to an exploration license or development license granted to a Company or as defined in the relevant agreement;

"contractor" means a second party or an entity to which any interest on the license may be transferred in the application of the provisions of the relevant agreement;

"Company" means the Zanzibar Petroleum Development Company established under section 32(1) of this Act;

"decommissioning" removal or disposal of structures, facilities and installations and includes pipeline, platforms and other property used in petroleum operations in an area, cleaning up of the area, plugging and securing of wells, restoration of land, safety clearance of an area, in connection with abandonment or cessation or partial cessation of petroleum operations in an area or part of an area;

"delivery point" means a point specified in the approved Development Plan or petroleum agreement to deliver commercial quality

petroleum within or outside the contract area for the particular purposes such as selling, storage or refinement.

"development operations" means operations for or in connection with production of petroleum and shall include the activity carried out to prepare the Development Plan and the activity carried out after the grant of the development license in the respective development area and shall include:

- (a) reservoir, geological and geophysical studies and surveys;
- (b) drilling of producing and injection wells;
- (c) design, construction, installation, connection and initial testing of equipment, pipelines, systems, facilities, plants, and related activities necessary to produce and operate wells, to take, save, treat, handle, store, transport and deliver petroleum and to undertake re-pressuring, recycling and other secondary or tertiary recovery projects;

"development plan" means a plan accompanying an application for a development license containing detailed proposal for construction, establishment and operations of all facilities and services for recovery, processing, storage, transportation of petroleum from the proposed development area;

"development area" means an area of land in a licensed block or blocks subject to a development;

"development license" means a license granted under section 65 of this Act;

"development well" means a well drilled for purpose of producing or enhancing production of petroleum from a commercial discovery and includes the appraisal wells completed as producing or injection wells;

"drilling" means perforation of earth's surface for purposes of making a discovery, establishing the extent of discovery or production of the discovered petroleum;

- "environment" has the meaning as described under the Zanzibar Environmental Management Act;
- "exploration area" means an area constituting of block(s) that are or can be subject to a petroleum exploration license;
- "exploration license" means a license granted under section 53 of this Act;
- "exploration operations" means any operation for or in connection with exploration for petroleum;
- "exploration period" means a time granted for the performance of exploration operations as prescribed in the exploration license;
- "exploration well" means a well drilled in the course of exploration operations in upstream activities excluding an appraisal well;
- "facility" means plant, building or equipment acquired for and used for petroleum activities in the licensed area;
- "gas" means any naturally occurring mixture of hydrocarbons in gaseous state;
- "Government" means the Revolutionary Government of Zanzibar;
- "graticular section" means a section referred to in section 33 of this Act;
- "hydrocarbon" means natural occurrence of carbon-hydrogen sometimes with oxygen compounds whether in solid, liquid or gaseous state;
- "Joint Operating Agreement" means an agreement entered between the parties including a contractor and the Company where applicable;
- "joint operations" means petroleum operations in respect of which the Company has elected to contribute expenses or has been carried out by the contractor;

"land" means land as defined in the Land Tenure Act No. 12 of 1992 and includes land beneath territorial waters, continental shelf and extended continental shelf;

"license" means a license granted under this Act;

"license area" means block or area covered under petroleum agreement;

"local content" means the quantum of composite value added to, or created in, the economy of Zanzibar; through deliberate utilization of human and material resources and services in the petroleum operations in order to stimulate the development to encourage local investment and participation;

"Managing Director" means Executive Director of the Authority appointed under the provisions of section 17(1) of this Act;

"Minister" means the Minister for the time being responsible for petroleum affairs in Zanzibar;

"natural gas" means any hydrocarbon produced from the contract area at an atmospheric pressure and temperature of sixty degrees Fahrenheit (60°F) are in a gaseous state at the wellhead, and include residue gas after the extraction of liquid hydrocarbons there from, both associated and non-associated gas, and all of its constituent elements produced from any well in the contract area and all non-hydrocarbon substances therein;

"non-associated gas" means natural gas produced from petroleum reservoirs developed primarily for producing natural gas;

"non-interconnected system" means a system that is not interconnected to any system owned by a person other than the owner of the first system or an affiliate to it;

- "offshore" means marine area with water depth exceeding 200 meters or extending beyond territorial waters;
- "oil" means naturally occurring liquid hydrocarbon (crude oil);
- "onshore" means all area, terrestrial land and the land covered in the territorial water of Zanzibar;
- "operator" means a person designated as operator under a joint operating agreement and executed by persons constituting contractor or operating agreement executed by the Corporation and contractor pursuant to relevant agreement;
- "permit" means a permit granted under this Act and the term permit holder shall be construed accordingly;
- "petroleum agreement" means agreement between the Government, National Oil Company and contractor related to the petroleum licensed area;
- "petroleum reservoir" means a naturally occurring discrete accumulation of hydrocarbons in any form whatsoever;
- "petroleum data" means all data and information relating to reconnaissance, exploration, development or production of petroleum including rocks samples, fluid samples and plans relating to petroleum operations;
- "petroleum operations" means operations and activities in connection with exploration, appraisal, development, and production and includes all abandonment activities;
- "petroleum" means any naturally occurring hydrocarbon, whether in gaseous, liquid, solid state or any naturally occurring mixture of hydrocarbons, but shall not include coal or any substance that may be extracted from coal or other rock;



"President" means the President of Zanzibar and Chairman of the Revolutionary Council;

"production operations" include:

- (a) running, servicing, maintenance and repair of completed wells, equipment, pipelines, systems, facilities and plants constructed and used after development;
- (b) all activities related to planning, scheduling, controlling, measuring, testing and carrying out of flow, gathering, treating, separation, transporting, storing and dispatching of petroleum from underground petroleum reservoirs to the delivery point and all other operations necessary for production and marketing of petroleum;
- (c) acquisition of assets and facilities required for the production of petroleum and petroleum field abandonment operations;

"production permit" means a permit granted under section 71(1) of this Act;

"reconnaissance" means any survey done for the purposes of acquiring any information or geo-scientific data in preliminary petroleum activities;

"seismic survey" means a geophysical survey using shock waves to produce detail images of local geology to determine the location and size of possible oil and gas reservoir;

"separator" means a facility used for separating well fluids produced from petroleum wells;

"sub-contractor" means any business entity hired by contractor to carry out all or a portion of petroleum operations as approved by the contractor under the terms of agreement;

"transportation" means the movement from one point to another of petroleum through any physical means like pipeline, tanker and such like;

"upstream activities" means all activities covering matters on pre-licensing, licensing, exploration, appraisal, development, production and decommissioning;

"well" means an artificial hole in land or subsoil of land, made by drilling in connection with upstream petroleum exploration, appraisal, operations or development operations and shall not include a seismic shot hole; and

"Zanzibar Revolutionary Council" means the Council of Ministers as defined in the Zanzibar Constitution of 1984.

## **PART II**

### **PETROLEUM RIGHTS RESERVED TO THE GOVERNMENT**

Vesting of petroleum rights.

4.-(1) Subject to the provisions of this Act, the entire property in, and the control of petroleum in its natural condition in, on or under any land or territorial waters in Zanzibar and derived from any other international law is vested in the Government on behalf of the people of Zanzibar.

(2) For the avoidance of doubt, petroleum resource is the public property of the People of Zanzibar and the Government shall hold petroleum rights for the benefit of the People of Zanzibar.

Agreements with Government.

5. The Government through the Company may enter into an agreement with a contractor or with any person relating to petroleum activities and consistent with this Act, with respect to the following matters:

- (a) the grant of a license;
- (b) the conditions for granting, revoking or renewing a license;
- (c) the conduct by a person performing petroleum activities on behalf of any person to whom a license is granted; and

- (d) any other matter incidental or connected to the matters in paragraphs (a), (b) and (c).

6.-(1) The Minister shall perform the following duties and responsibilities: Duties and Responsibilities of the Minister.

- (a) granting, renewing, suspending and cancelling of petroleum exploration and development licenses after being advised by the Authority;
- (b) formulating and reviewing regulations in the petroleum industry;
- (c) causing inquiries to be conducted into accidents or disasters caused by petroleum activities;
- (d) approve Petroleum Agreement;
- (e) provide pertinent information related to petroleum development before oversight committees of the House of Representatives;
- (f) approve Field Development Plan and Data Management System;
- (g) develop petroleum-related policies; and
- (h) perform any other functions related to petroleum production activities assigned to him by this Act or any other law.

(2) Without prejudice to the generality of sub section (1) of this section, the Minister shall supervise the following functions:

- (a) to promote local participation in the sector;
- (b) to ensure and sustain transparency in petroleum sub-sector;
- (c) to ensure clear-cut spatial boundaries of jurisdiction in petroleum operations;

- (d) to ensure full accountability, transparency, and efficiency in developing a system of revenues management and tax collection and their planned expenditures;
- (e) to engage to the international platforms for petroleum investments and data acquisition;
- (f) to facilitate integrated planning between the petroleum sector and other sectors of the economy in Zanzibar;
- (g) to ensure that there is a balance between petroleum domestic supply and export; and
- (h) to ensure public awareness and citizen's knowledge on petroleum activities.

**PART III**  
**ZANZIBAR PETROLEUM (UPSTREAM) REGULATORY**  
**AUTHORITY AND PETROLEUM DEVELOPMENT**  
**COMPANY**

Zanzibar  
 Petroleum  
 (Upstream)  
 Regulatory  
 Authority.

7.-(1) There is established an Authority to be known as the Zanzibar Petroleum (Upstream) Regulatory Authority whose acronym shall be ZPRA.

(2) The Authority shall be a body corporate with perpetual succession with a common seal and shall in its corporate name be capable to:

- (a) sue and be sued;
- (b) acquire, hold, purchase or dispose any movable and immovable property;
- (c) enter into any contract or transaction subject to the laws;
- (d) borrow any such sum of money from any financial institution; and
- (e) perform or do any act or thing which a body corporate may by law, entitle to perform or do.

8.-(1) The functions of the Authority shall be to monitor and regulate exploration, development and production of petroleum in Zanzibar.

Functions  
and  
responsibilities  
of the  
Authority.

(2) Without limiting the generality of subsection (1) of this section, the Authority shall:

- (a) monitor and regulate petroleum activities including reserve estimation and measurement of the produced petroleum;
- (b) review and approve any proposed exploration activity contained in the annual work programme, appraisal programme and production forecasts submitted by a Company;
- (c) review and approve budgets submitted by a Company;
- (d) assess field development plans and make recommendations to the Minister for approval, amendment or rejection of the plans;
- (e) advise the Minister in the granting and revocation of licenses;
- (f) assess tail-end production, cessation of petroleum activities and decommissioning;
- (g) prepare reference map which may be revised periodically showing areas of possible petroleum exploration and production divide into blocks;
- (h) participate in the measurement of petroleum to allow for estimation and assessment of royalty and profit oil or gas due to the State and be responsible for the approval of the exercise;
- (i) ascertain the cost oil or gas due to Company's;
- (j) ensure that Company's uphold laws, regulations, rules and contract terms;
- (k) conducting or cause to be conducted reconnaissance surveys and evaluating prospectivity of frontier areas;
- (l) administer petroleum agreements;
- (m) ensure optimal levels of recovery of petroleum resources;
- (n) promote well planned, executed and cost-efficient operations;
- (o) ensure optimal utilization of existing and planned facilities;
- (p) ensure the establishment of a central database of persons involved in petroleum activities, manage petroleum data and provide periodic updates and publication of the status of petroleum activities;

- (q) take such action as is necessary to enforce the requirements in a license or any regulations and to protect the health and safety of workers and the public;
- (r) ensure and facilitate competition, access and utilization of facilities by third parties;
- (s) monitor conditions of operators and their trade practices to ensure that competition and fair practice is maintained;
- (t) ensure compliance by industry players to the provisions of this Act and imposing sanctions for non-compliance or other violation of regulations, orders, rules or contract terms; and
- (u) do all such thing as are necessary, expedient or conducive to the attainment of the purposes of this Act.

(3) In addition to the functions conferred to it under sub-section (1), Authority shall perform the following responsibilities:

- (a) advise the Minister on the granting, renewing, suspending and cancelling of petroleum exploration licence, development licence and production permit;
- (b) provide information to the relevant authority for the collection of taxes and fees from petroleum activities;
- (c) advising the Government on proposed development plans, infrastructure development, tail end plan and decommissioning of installations submitted by a Company.

Directives  
by the  
Minister.

9. The Minister may give directives in writing to the Authority with respect to the Zanzibar Oil and Gas Policy, for public interest to be observed and implemented by the Authority and any other directive under this Act.

Directives  
of the  
Authority  
to the  
Company  
and a  
contractor.

10.-(1) The Authority shall, by notice in writing, give directives to the Company and a contractor consistent with applicable law and best petroleum industry practices to ensure proper and optimal production of petroleum and to encourage best conservation practices in licensed areas.

(2) The notice given under sub section (1) of this section, shall specify terms and conditions, and time upon which the Company and a contractor to be observed.

11.-(1) Where the Company and a contractor fails or neglects to comply with directives given by the Authority under this Act, the Authority may cause to be done all or any of the things required by the directives to be done. Compliance with directives.

(2) The costs incurred under sub-section (1) of this section, are a debt due to the Authority and may be recovered in a court of competent jurisdiction, notwithstanding that the Company and contractor may have been convicted of an offence under this Act.

12.-(1) There shall be a Board of Directors of the Authority which shall be the overall governing body, and composed of not more than seven members of high moral characters, proven integrity and competence in their respective field. Board of Directors.

(2) The Board shall have the following members:

- (a) Chairperson who shall be appointed by the President in accordance with the provisions of this Act;
- (b) The Mananging Director of Authority as ex-officio member;
- (c) one officer from Ministry responsible for environment;
- (d) one State Attorney from Attorney General's Chambers recommended by the Attorney General;
- (e) one officer from the Ministry responsible for petroleum;
- (f) one officer from the Ministry of Finance;
- (g) one officer from Ministry responsible for occupational health and safety;
- and
- (h) one officer from private sector with experience on petroleum upstream matters.

(3) The members mentioned under paragraph (c), (d), (e), (f) and (g) shall be appointed by the Minister upon consultation with Minister of respective Ministry.

(4) Appointment of Secretary of the Board shall be made as prescriber in the First Schedule.

Functions  
of the  
Board.

13. The Board shall perform the following functions:

- (a) oversee the operations of the Authority;
- (b) advice the Minister on petroleum policy and strategic issues related thereto;
- (c) review and approve business and operation plans, budgets, reports and annual performance report of the Authority;
- (d) provide guidance to the Managing Director and staff of the Authority;
- (e) subject to the Public Service Act, establish and approve rules and procedures for appointment, promotion, termination, discipline, terms and conditions of service of the employees of Authority;
- (f) establish and supervise Staff Regulations and Financial Regulations for the Authority;
- (g) ensure that good governance, code of conduct and good practices are in place and implemented;
- (h) determine the organizational structure of the Authority; and
- (i) perform any other function conferred by this Act or which may be necessary for achieving the purposes of this Act.

Powers  
of the  
Board.

14. Save as to the Managing Director, the Board shall be the disciplinary authority of all staff of the Authority, provided that the Board may recommend to the President through Minister, regarding the disciplinary actions to be taken against the Managing Director in case of misconduct on his part.

Qualifications  
of  
Chairperson  
and  
members  
of the  
Board.

15.-(1) A person shall be eligible to be appointed as Chairperson of the Board if he:



- (a) is a Zanzibari;
- (b) holds at least University degree in engineering, energy, geosciences, economics, finance or law from recognized educational institution; and
- (c) has a working experience of not less than ten years in that field, and management.

(2) Save for ex-officio members, other members of the Board shall possess a knowledge in:

- (a) petroleum industry disciplines;
- (b) health, safety and environmental matters; or
- (c) business administration or management, economics, finance or law; and
- (d) has a working experience in that field for a period of not less than seven years.

16. Provisions relating to the meetings, tenure, quorum and other proceedings of the Board shall be as prescribed in the First Schedule of this Act. Proceedings of the Board.

17.-(1) There shall be Managing Director of the Authority who shall be appointed by the President in accordance with the provisions of this Act. Appointment of Managing Director.

(2) A person shall not be eligible to be appointed as Managing Director unless he:

- (a) is a Zanzibari;
- (b) holds at least University Degree in a petroleum industry disciplines from any recognized University; and
- (c) has a working experience of not less than ten years in that field.

(3) The Managing Director shall be appointed to hold office for a period of five years and shall, subject to his satisfactory performance, be eligible for re-appointment for another period of five years.

Functions of Managing Director. 18.-(1) The Managing Director shall be the Chief Executive Officer of the Authority and shall be responsible for the day to day operations, performance and management of the Authority.

(2) Without prejudice to the generality of the provisions of sub section (1) of this section, the Managing Director shall be responsible for:

- (a) initiating and implementing policies and programmes of the Authority and report to the Board;
- (b) the proper management of funds and properties of the Authority;
- (c) the supervision and control of staff of the Authority;
- (d) the development of an operating plan to guide the Authority in achieving its objectives and purposes as prescribed under this Act;
- (e) co-operation with other agencies relating to petroleum sub-sector within or out-side Zanzibar in the matter pertaining to upstream petroleum sub-sector;
- (f) recommending to the Board on an economic, efficient and cost effective internal managerial structure of the Authority;
- (g) ensuring that agreed objectives, targets and service standards of the Board are met; and
- (h) performing any other function necessary for the implementation and achieving the purpose of this Act.

(3) The Managing Director shall, in the performance of his functions, be answerable to the Board.

Departments, sections or units of the Authority. 19.-(1) The Authority may, for achieving objects and proper performance of its functions under this Act, establish such departments, sections or units to be headed by the heads and other staff as may be determined by the Board.

(2) Heads of departments, sections or units as the case may be, shall be appointed by the Board upon such terms and conditions of competency and subject to any law relating to Public Service.

(3) Heads of departments shall, in the discharging of their functions, be answerable to the Board.

20. Staff of the Authority shall be employed by the Board upon such terms and conditions in accordance with Staff Regulations of the Authority made in conformity with the provisions of any law relating to Public Service. Staff of the Authority.

21. The member of the Board or an officer of the Authority or a person acting on the directives of the Board or of an officer of the Authority is not personally liable for any act or omission done or omitted to be done in good faith in the performance of functions under this Act. Protection from liability of members of Board and officers of the Authority.

22.-(1) Subject to this Act, a person who is a member of the Board or employee of the Authority shall not disclose any information, which he may have obtained in the course of his employment. Duty not to disclose information.

(2) A person who ceases to be a member of the Board or employee of the Authority shall not disclose any confidential information, which he may have obtained in the course of his employment.

(3) A person who contravenes subsection (1) or (2), commits an offence and shall be liable on conviction to a fine of not less than Twenty Million Shillings or to imprisonment for a term not exceeding four years or both.

23. There shall be funds of the Authority which shall consist of: Funds of the Authority.

(a) monies appropriated by House of Representatives for the purposes of the Authority;

- (b) such donations, grants, bequests or loans as may be lawfully received from any institution or organization;
- (c) proceeds derived from disposal of assets and any other sources of income identified by the Authority;
- (d) any such percentage of revenue collected from other sources;
- (e) regulatory levy as shall be prescribed in the Regulations;
- (f) any revenue accruing from any activity undertaken by the Authority;
- (g) any such money collected as fine paid in accordance with the provisions of compounding offences under this Act; and
- (h) any other money as may be legally acquired by the Authority.

Duty to operate on sound financial principles.

24. The Authority shall, in the performance of its functions under this Act, have due regard to sound financial principles.

Power to open and operate bank accounts.

25.(1) Subject to the provisions of the Public Finance Act:

- (a) the Authority shall, with the approval of the Board, open and maintain such bank accounts as are necessary for the performance of the functions of the Authority under this Act; and
- (b) the Managing Director shall ensure that, a money received by or on behalf of the Authority is banked as soon as practicable after being received.

(2) Subject to the directives of the Board, the Managing Director may approve recurrent expenditure within the limit determined by the Board.

(3) approve any individual capital work of which the estimated does not exceeding Fifty Million Tanzanian Shillings or such other sum as the Minister may, by order, from time to time fixes.

Powers to borrow.

26. The Authority may borrow money from any source as may be required for meeting its obligations or for the discharge of its functions under this Act in accordance with the Public Finance Act.

27.-(1) The Managing Director shall, within three months before the end of each financial year, cause to be prepared and submitted to the Board for its approval, estimates of the income and expenditure of the Authority. Estimates.

(2) The Board shall, within two months after receipt of the estimates referred to in subsection (1) of this section, cause to be submitted to the Minister for approval, the estimates of income and expenditure as approved by the Board.

28. The financial year of the Authority shall be the same as the financial year of the Government. Financial year.

29.-(1) The Managing Director shall cause to be kept, proper books of accounts and records of the transactions of the Authority in accordance with accepted accounting principles. Accounts.

(2) Subject to any directives given by the Board, the Managing Director shall cause to be prepared an annual financial statement stating the basis of accounting and shall identify any significant departure from it and the reasons for the departure.

(3) The statement of accounts shall include:

- (a) a balance sheet, an income and expenditure account, a source and application of Funds of the Authority; and
- (b) any other information in respect of the financial affairs of the Authority as the Controller and Auditor General or an auditor appointed by the Controller and Auditor General may, in writing require.

30.-(1) The Controller and Auditor General or an auditor appointed by the Controller and Auditor General shall, in each financial year, audit the accounts of the Authority in accordance with the law relating to auditing. Audit.

(2) The Board shall ensure that three months after the end of each financial year, a statement of accounts is submitted to the Controller and Auditor General or to an auditor appointed by the Controller and Auditor General for auditing.

Annual  
report.

31.-(1) The Board shall submit to the Minister, as soon as practicable but not later than four months after the end of each financial year, a detailed report of the activities and operations of the Authority during the year to which the report relates including audited accounts.

(2) The report referred to in subsection (1) of this section, shall contain:

- (a) the petroleum reserve estimates;
- (b) the amount of petroleum produced and forecast; and
- (c) such other information as the Board may consider necessary.

(3) The Minister shall, within two months after the receipt of the annual report, submit the same to the House of Representatives with any statement which he may considers necessary.

Petroleum  
Development  
Company.

32.-(1) There is established a Zanzibar Petroleum Development Company whose acronym shall be ZPDC which shall participate in the upstream activities of the petroleum and gas sector on behalf of the Government.

(2) The Zanzibar Petroleum Development Company shall undertake petroleum activities in accordance with this Act.

(3) This Act shall apply to the Zanzibar Petroleum Development Company to the same extent as this Act is applicable to any other company or contractor.

(4) The Zanzibar Petroleum Development Company shall be registered as a company under the laws of Zanzibar, limited by shares, all of which are to be held by the Government on behalf of the people of Zanzibar.

(5) The Zanzibar Petroleum Development Company shall, on behalf of the Government, act as a commercial entity and safeguard the national interest in petroleum activities.

#### **PART IV**

### **UPSTREAM PETROLEUM OPERATIONS**

33.-(1) For the purpose of this Act, the surface of the earth shall be divided into numbered graticular sections covering the exploration area, and each that section shall constitute a block as prescribed in the Regulations.

Graticulation of the earth's surface and constitution of blocks.

(2) The Authority shall prepare a reference map which may be revised periodically, showing surface areas of possible petroleum exploration and production.

(3) The reference map prepared pursuant to subsection (2) of this section, shall be deposited and made available to the public at the offices of the Authority and in its website.

(4) Upon publication of the reference map, any reference in a reconnaissance permit, exploration license and development license granted pursuant to this Act to an identified block, shall be treated as a reference to the block so identified on the reference map.

(5) The Authority may certify the reference map prepared under subsection (2) to be a true copy, and such copy may be admissible in proceedings before any court or tribunal as evidence of the contents of the reference map.

34.-(1) A decision to open an area for petroleum activities shall be made by the Minister upon approval of the Zanzibar Revolutionary Council.

Opening, redefinition and closure of areas.

(2) Prior to opening of areas for petroleum activities, the Minister shall, in collaboration with relevant authorities and in consultation with the Minister responsible for Environment, undertake evaluation of various interests in the areas which shall be contained in the evaluation report.

(3) The evaluation report shall include:

- (a) an assessment of the potential for petroleum accumulation in the area; and
- (b) a strategic assessment of the social and environmental impact of the potential petroleum activities on:
  - (i) national development;
  - (ii) local communities;
  - (iii) environment and risk of pollution;
  - (iv) trade and tourism;
  - (v) agriculture and fisheries;
  - (vi) potential economic and social impact of the petroleum activities; and
  - (vii) any other activities related to petroleum industry.

(4) The evaluation report shall specify areas proposed to be opened for petroleum activities, nature and extent of petroleum activities and effect of the petroleum activities on relevant interest activities and communities.

(5) The Minister shall publish the area to be opened for the petroleum activities in the local Newspapers circulated in Zanzibar and the Authority website.

(6) An interested person under this section may submit views and comments on evaluation report to the Minister within a period of thirty days from the date of publication.

(7) The Minister shall, after taking into consideration on the report and any views of an interested person, submit report detailing areas to be opened up for petroleum activities, evaluation and assessment conducted based on the impact on social and environment and his recommendation to the Zanzibar Revolutionary Council for approval.



(8) The Minister shall publish the decision of the Zanzibar Revolutionary Council to the Official Gazette, website of the Ministry and the Authority or in any other manner as the Minister may determine.

(9) The decision to redefine boundaries or close an area for petroleum operations shall be made by the Minister.

(10) The provisions of sub sections (1) to (9) shall apply similarly on the decision of the Minister to redefine or close an area for petroleum operations.

(11) Where a decision to redefine the boundaries or to close an open area have detrimental effects to another area covered by a license existing at the time of the decision, the Company shall be consulted by the Authority before the decision of the Minister.

***(a) Reconnaissance Permit***

35.-(1) A person intending to carry out reconnaissance surveys shall apply to the Authority for a reconnaissance permit. Application for reconnaissance permit.

(2) An application for a reconnaissance permit shall be in a manner prescribed in the regulations and accompanied by the prescribed fee.

(3) A reconnaissance permit shall be for geographically delineated area.

(4) Reconnaissance permits are non-exclusive and may be issued to different persons in respect of different reconnaissance activities in the same area.

(5) A reconnaissance permit shall state:

- (a) date of issuance of permit;
- (b) area to which the permit relates;
- (c) type of data for which the permit is issued;
- (d) conditions on which the permit is issued;

- (e) duration of confidentiality of data collected;
- (f) expiration date; and
- (g) any other information as the Authority may determine.

Duration of reconnaissance permit. 36. Subject to the provisions of this Act, a reconnaissance permit shall be granted for a period of three years.

Grant of reconnaissance permit. 37.-(1) The Authority may, on application duly made, issue the reconnaissance permit within ninety days after receipt of the application.

(2) The Authority shall publish in Kiswahili and English language to inform the public on purposes of all reconnaissance planned activities in a media or local newspaper widely circulated in Zanzibar.

Activities authorized by reconnaissance permit. 38.-(1) The reconnaissance permit shall apply to a particular type of survey and may include shallow drilling for data calibration purposes.

(2) Where reconnaissance permits are issued to two or more persons separately in the same area, the activities of one permit holder shall not be detrimental to the activities of another permit holder.

(3) Where reconnaissance activity is to be carried out in an area that is declared to be a habitat for wildlife, marine park, forest reserve and any other reserved area for such purposes, such activities shall require all adherence to statutory requirements taking into consideration breeding and migratory patterns of the wildlife and marine-life in that area.

Commencement of reconnaissance activities. 39. A person shall not commence reconnaissance activity unless that person has complied with the relevant statutory requirement on environment protection prescribed in the Zanzibar Environmental Management Act and any other relevant laws.

Termination of reconnaissance permit. 40. The Authority shall terminate a reconnaissance permit if:

- (a) the permit holder fails to perform obligations issued in the permit or any other law; or
- (b) there is an occurrence of an event of force majeure of definitive nature, which make it impossible for permit holder to fulfill his obligation.

41. The reconnaissance permit may lapse on waiver by a permit holder if he performs legal obligations and duties imposed by the permit. Waiver.

42. The reconnaissance permit shall remain valid until:

- (a) expiry of terms and conditions provided for in the permit;
- (b) extinction of permit holder;
- (c) cancellation of the permit; or
- (d) waiver under section 41 of this Act.

Expiration  
of  
permit.

43.-(1) Notwithstanding the right of a permit holder, Company and the Authority, all petroleum data generated under this Act shall be owned by the Government. Ownership  
of data,

(2) The Authority may, in a prescribed manner, authorize the permit holder and Company to use data referred to under sub-section (1) of this section after agreement.

(3) Where the permit holder or Company sells data referred to under the subsection (2) of this section, the net proceeds from such sale shall be shared in a manner prescribed in the agreement referred to in subsection (2) of this section.

44. For the avoidance of doubt, the right of licence holder and contractor shall be limited to petroleum and exclude any other mineral resource. Restriction  
on  
resource  
other  
then  
petroleum.

Exclusive  
rights  
conferred  
to the  
Company.

45.-(1) The petroleum operations rights shall be granted to the Company.

(2) The Company shall have exclusive right over all petroleum rights granted under this Part.

(3) The license granted to the Company shall not be transferable to any other person.

(4) The Company may, subject to the Minister's consent and on advice by Authority, enter into partnership with a Tanzanian or a foreign entity through an open tendering process.

(5) The license granted under subsection (1) shall require the Company to maintain a participating interest of not exceeding twenty fifteen per cent.

(6) A company wishing to carry out petroleum operations in Zanzibar outside the scope of a reconnaissance permit shall do so together with the Company.

(7) For the purpose of this Act, a company shall request the Company to apply for a license or permit and shall furnish to the Company particulars enumerated under the respective license or permit.

Persons  
who may  
partner  
with the  
Company.

46. A person is qualified to enter into partnership with the Company if:

- (a) is a body corporate registered under the Companies Act of Zanzibar or any other written law; and
- (b) such entity is of recognized capacity, technical knowledge and financial capability.

47.-(1) Where two or more applicants jointly intend to apply for an award of acreage, the applicants shall enter into an agreement for joint co-operation for petroleum activities which shall be submitted to the Minister as a condition for entering into agreement.

(2) The Minister may require from the applicant, information of a joint venture composed of specific companies as condition for award of an acreage.

48.-(1) The Minister may, upon the advice of the Authority enter into an agreement with the Company and its partners with respect to all or any of the following matters:

Agreement  
in  
respect  
to grant  
of right.

- (a) grant of a license;
- (b) conditions for granting or extension of license; or
- (a) any other matter incidental or connected to paragraphs (a) and (b).

(2) Notwithstanding the provision of subsection (1) of this section, the Minister shall not enter into an agreement without prior approval of the Zanzibar Revolutionary Council.

(3) The Authority shall develop and submit to the Minister a Model of Production Sharing Agreement or any other model of petroleum agreement to be approved by the Zanzibar Revolutionary Council.

(4) The Model Production Sharing Agreement or any other type of model of petroleum agreement approved by the Zanzibar Revolutionary Council shall be guidance in negotiations of any agreement under this section.

49.-(1) Petroleum agreements shall be entered in a transparent and competitive manner after completing tendering process.

Tendering  
process.

(2) The Authority shall cause to be published in a newspaper of wide circulation in Zanzibar, invitation of tender or subject to subsection (3), the intention to initiate direct negotiations.

(3) Where all or part of the area tendered in a competitive public tender process for an award of an agreement has not become effective, and it is for the public interest, the Authority may upon consent of the Minister and approval of the Zanzibar Revolutionary Council, initiate direct negotiations with qualified and eligible company.

(4) The Minister may, by the Regulations, prescribe the manner of conducting tendering process.

Reservation  
of blocks.

50.-(1) The Minister may, by notice published in the Official Gazette, declare certain block to be reserved for public interest or to be awarded direct to the Company.

(2) The block reserved under subsection (1) shall not be subject to the grant of a license unless the declaration is revoked.

(3) The Minister may, by notice published in the Official Gazette, vary, amend or revoke any notice published under this section.

(4) Where a license is awarded directly to the Company under subsection (1), the tendering process shall not apply.

(5) The power under subsection (1) or (3) may be exercised by the Minister either on his own motion or upon the advice of the Authority.

***(b) Petroleum Exploration License***

Power of  
Minister  
to grant  
petroleum  
exploration  
license.

51.-(1) The Minister shall grant to the Company petroleum exploration license in respective of any block subject to fulfillment of the following conditions:

- (a) the applicant's proposals for work and minimum expenditure in respect of the block specified in the application;
- (b) particulars of technical and petroleum industry qualifications of the applicant and his employees;
- (c) particulars of technical and petroleum industry resources available to the applicant;
- (d) particulars of kinds of financial resources available to the applicant, including capital, credit facilities and guarantees;

(e) proposals on the local content plan related to the training and employment of people of Zanzibar; and

(f) any other matters that the applicant wishes the Minister to consider.

(2) The provisions of sub section (1) shall also apply during the tendering process of open exploration area in a manner prescribed in the regulations.

52.-(1) When the conditions stipulated under section 51 of this Act, are not fulfilled, the Minister shall request the Company to fulfill the requirements before granting the exploration license. Refusal of grant petroleum exploration license.

(2) An exploration license shall not be granted in respect of a block that, at the time the application for license is made:

(a) comprised in a license; or

(b) reserved by declaration under section 50 of this Act.

53.-(1) Subject to subsection (2), the Minister shall, within sixty days after the date of receiving application, notify the applicant of his decision to grant or refuse to grant an a license. Notice of decision on application for exploration License.

(2) The Minister shall give reasons for refusal or conditions for grant of a license.

54. An exploration license shall:

- (a) state the date of the grant of license;
- (b) identify the block or blocks covered by the license in the exploration area granted;
- (c) state the conditions to which the license is granted;
- (d) identify the contractor and operator in cases of partnership; and

Contents of the exploration license.

- (e) may contain such other matters as the Minister may determine for the purpose of this Act.

Rights and responsibilities conferred by exploration license.

55.-(1) The Company shall have exclusive right to explore petroleum in the exploration area, to carry out operations and execute works as necessary.

(2) Pursuant to the agreement entered under section 45, the Company may assign the contractor exclusive rights to conduct exploration activities in the contract area, except where joint operations have been established in the agreement, the contractor shall have exclusive right to conduct petroleum operations in the contract area in accordance with the provisions of this Act on behalf of the Company.

(3) Subject to subsection (2) of this section, obligations of the Company under this Act shall be considered to be obligations of the contractor.

Validity of Conditions of exploration license.

56. Subject to this Part and to any conditions specified in the license, an exploration license shall be valid:

- (a) for a period of not exceeding four years commencing from the date on which the license is granted; and
- (b) in case the license period is extended, for a further period, not exceeding three years in respect of a first extension, and a further period not exceeding two years in respect of a second extension;

Application for extension to be in respect of reduced area.

57.-(1) The Company of an exploration license may apply for the extension of the license in respect of any block in the exploration area.

(2) An application under this section shall:

- (a) subject to subsection (4) of this section, be made not later than ninety days before the day on which the license is due to expire;
- (b) be accompanied by:



- (i) particulars of the work carried out in, and amount expended in respect of exploration area during the term of the license and including the date of application or where the application is for second extension of license, during the period of the first extension of the license and including the date of the application;
- (ii) adequate proposals of the applicant for work and minimum expenditure in respect of the block identified in the application during the extension period applied for; and
- (iii) any other matters that the applicant requires the Minister to consider.

(3) The Contractor shall furnish to the Company particulars enumerated under sub-section (2).

(4) The Minister may accept an application for extension of an exploration license later than ninety days and not, in any case, after the date of expiry of license.

(5) The requirement of subsection (2)(b)(ii) with respect to adequate proposals shall be deemed to have been met if the proposal accompanying an application complies with requirements in respect of work and expenditure contained in a relevant agreement relating to grant of license.

58.-(1) Subject to a relevant agreement in respect of grant of license:

- (a) if the contractor elects to enter into the first extension under an exploration period, the contract area as of the effective date of the petroleum agreement shall be reduced by at least fifty per cent.
- (b) if, after giving written notice to the Minister, the contractor elects to enter into a second extension under an exploration period, the retained contract area shall be reduced by at least fifty per cent.

Application for extension to be in respect of reduced area.

(2) The area to be relinquished shall be contiguous and compact and of the size and shape that permit the effective conduct of the petroleum activities in the relinquished area unless otherwise determined by the Minister after consultation with the Authority.

(3) The Government shall not bear any of the expenses incurred or paid by the contractor for contract areas that have been made subject to relinquishment.

Grant or  
refusal  
for  
extension.

59.-(1) The Minister may upon advice of the Authority, grant an extension of the license on the application duly made for extension of exploration license.

(2) The Minister may, upon the advice of the Authority, refuse to grant the extension for an exploration license if:

- (a) the Company or a contractor is in default unless the Minister considers that special circumstances exist which justify the granting of extension notwithstanding the default; or
- (b) the proposal with respect to work and expenditure during the extension which accompanying the application is not adequate.

(3) The Minister may, upon the advice of the Authority, allow the variation of the work period in justified special circumstance that exists.

(4) The Minister shall not refuse to grant the extension of an exploration license on application unless:

- (a) he has given to the applicant notice of his intention to do so by stating in the notice:
  - (i) particulars of the grounds for the intended refusal; and
  - (ii) a date before which the applicant may take remedial action or make representations in relation to that ground; and

- (b) the applicant has not remedied the default or made appropriate amendments to his application or made representations which, in the opinion of the Minister, remove the ground for the intended refusal.

(5) The Minister shall notify the applicant in writing of his intention to grant extension for exploration license.

(6) The notification to grant extension under subsection (5) shall contain particulars of any variation of the conditions of license which are required to give effect to the application for extension including amendments to the grant of extension.

(7) Upon receipt of the notice under subsection (5) from the Minister, the applicant shall, within sixty days respond his willingness to accept extension and where he fails to do so, the extension shall lapse.

(8) Where:

- (a) an application for the extension of an exploration license has been duly made; and
- (b) the license expires:
  - (i) before the Minister grants, or refuses to grant the extension of the license; or
  - (ii) before the application lapses under sub-section (7) of this section,

the license shall be deemed to continue in force until the Minister grants or refuses to grant the extension of license, or lapses of application, whichever first occurs, unless the license is cancelled or the application for extension is withdrawn.

Condition  
of grant of  
exploration  
of license.

60.-(1) In addition to conditions contained in an exploration license under section 56 (1) of this Act, or any extension of that license under section 58 or 59 of this Act, the holder of license shall:

- (a) not later than one month before the anniversary in any year of the grant of license, submit to the Authority in detail an adequate programme with respect to work and expenditure to be carried out or made in the year of the license immediately and the programme so submitted shall be considered to constitute a requirement of the license with respect to work and expenditure; and
- (b) in relation to exploration area and subject to subsection (3) of this section, meet the requirements of his license in respect to work and expenditure.

(2) The requirement of subsection (1)(a) of this section, shall be adequate and be deemed to have been met where the programme submitted satisfies the requirement related to work and expenditure contained in a relevant agreement in respect of grant of license.

(3) The Minister may, on application made by the holder of an exploration license and after being advised by the Authority, limit, reduce, vary or suspend any obligation arising pursuant to subsection (1)(b) of this section, either conditionally or unconditionally.

Discovery  
of  
petroleum  
to be  
notified.

61.-(1) If the petroleum is discovered, the Contractor shall forthwith notify the company prior to any third party, and the Company shall within forty eight hours after the notification:

- (a) submit in writing a notification of discovery, to the Minister and the Authority; and
- (b) submit a draft announcement to the Minister;

(2) A person shall not make any announcement with respect to discovery before the announcement of the Minister.

(3) Upon receipt of the draft announcement submitted under subsection (1)(b), the Minister shall consent on the proposed announcement within five working days after consultation with the Authority.

(4) The Minister shall within two working days after being advised by the Authority, make or cause to be made an announcement.

(5) Within a period of thirty days after the date of the discovery, furnish to the Authority particulars in writing of the discovery and within ninety days from the date of discovery, state whether the discovery merits the appraisal or not.

(6) A person who fails or refuses to comply with the directives given under subsection (5) of this section, commits an offence and shall be liable on conviction to a fine not less than twenty five thousands United States Dollars or its equivalent in Tanzania Shillings or to imprisonment for a term of three years.

62.-(1) The Authority may by a written notice served on the Company of exploration license, direct the Company to carry out investigations and studies within a period of not exceeding two years in a case of crude oil and three years in case of natural gas, so as to assess feasibility of construction, establishment and operation of industry for recovery of petroleum.

Appraisal  
and  
investigations  
of  
locations.

(2) The investigations and studies referred to in subsection (1) of this section may include:

- (a) appraisal program for purpose of delineating the reservoir to which the discovery relate in terms of thickness, lateral extent and estimating the quantity of recoverable petroleum in the reservoir;
- (b) technical and economic feasibility studies relating to recovery processing and transport of petroleum from the location;
- (c) studies of proposed sites for facilities that are required by industry referred to in subsection (1) of this section;

- (d) studies of port or berthing facilities, roads, pipelines or other transportation facilities;
- (e) investigations into:
  - (i) suitable water facilities and reticulation systems for industrial purposes;
  - (ii) location and design of a suitable airstrip and associated landing and terminal facilities, if so required for that industry; and
  - (iii) generation and transmission of electricity as so required for that industry;
- (f) investigations into development, if so required, of a suitable terrestrial based town for the industry referred to in subsection (1) of this section, including the design of housing facilities and associated civic, cultural and social facilities;
- (g) investigations of any other works, services or facilities that may be required for that industry in relation to the location;
- (h) studies of future labour requirements for the industry; and
- (i) impact studies into the possible effects of that industry on environment.

(3) The Company for exploration shall furnish to the Authority, within the period specified in the notice under subsection (1) of this section, reports, analysis and data resulting from investigations and studies carried out under this section as the Authority may, by written notice to the Company, require.

(4) Where the holder of a license finds that the discovery is not of potential commercial interest backed by technical and economic valuation where the discovery is located, the holder of a license shall relinquish such discovery.

(5) Where the holder of a license finds that the discovery is potential commercial interest backed by technical and economic valuation where the discovery is located, the holder of a license shall apply for development license within time specified in the Regulations.

*(c) Development License*

63.-(1) An application for development license shall be accompanied by a Field Development Plan containing particulars of:

Application  
for  
development  
license.

- (a) applicant's proposals for development and production from reservoir, including method for use or disposal of associated gas;
- (b) detailed proposals by the applicant for the construction, establishment of all facilities and services incidental to the recovery, separation, storage and transportation of petroleum;
- (c) applicant's assessment of whether development and production of the reservoir shall be subject to unitisation or joint petroleum activities in accordance with the provisions of this Act;
- (d) applicant's assessment on how to coordinate petroleum activities with other party, including joint use of facilities in accordance with the provisions of this Act and any other law;
- (e) manner in which development and production of reservoir is to be financed;
- (f) applicant's proposals relating to spacing, drilling and completion of wells and facilities required for production of petroleum including:
  - (i) estimated number, size and production capacity of production platforms, if any;
  - (ii) estimated number of production wells;
  - (iii) particulars of production equipment and facilities;
  - (iv) particulars of feasible alternatives for transportation of petroleum including pipelines;
  - (v) particulars of onshore and offshore installations required, including type and specifications or size of installations; and
  - (vi) particulars of other technical equipment required for operations;

- (g) estimated production profiles for crude oil or natural gas from petroleum reservoirs;
- (h) cost estimates of capital and recurrent expenditures of the project;
- (i) economic feasibility studies carried out by Company in respect of discovery, by taking into account:
  - (i) location;
  - (ii) water depth, if applicable;
  - (iii) meteorological conditions;
  - (iv) cost estimates of capital and recurrent expenditures of the feasibility study; and
  - (v) any other relevant data and evaluation of that data;
- (j) safety measures to be adopted in the course of development and production of petroleum, including measures to deal with emergencies;
- (k) environmental impact assessment in respect of development, including the necessary measures to be taken for protection of environment;
- (l) applicant's proposals for employment and training of local manpower;
- (m) applicant's proposals with respect to procurement of local goods and services;
- (n) estimate of time required to complete each phase of the development plan;
- (o) effects on land use;
- (p) information on how facilities may be disposed of when petroleum activities ceased;
- (q) development if planned in two or more phases, the information shall be based on full development to the extent possible; and
- (r) any other matters as the Minister may consider necessary.



(2) The Contractor shall furnish to the Company all information required in sub-section (1) of this section.

(3) If the Contractor does not request the Company to apply for development license within the time prescribed in the Regulations, the area comprised by the declaration of commerciality shall be relinquished.

64.-(1) Subject to this section, provisions of section 65 of this Act and to any agreement with respect to grant of license: Disposal  
of  
application.

- (a) on application duly made under section 57(1) of this Act, the Minister shall grant development license on such conditions as deemed necessary to give effect to the application for the license, including amendments thereto; or
- (b) on application duly made under section 57(3) of this Act, the Minister may grant development license on such conditions or refuse to grant in respect of any block constituted by land to which this Act applies.

(2) For purpose of disposing an application for grant of development license, the Minister may, by notice given to the applicant requires the applicant to furnish, within a period specified in the notice, such proposal, in addition to or by way of alteration to any proposal that have already been furnished as the Minister specifies in the notice, including proposal relating to any of the matters referred to in section 57(2) of this Act.

(3) The Minister shall not grant development license under subsection (1) of this section without prior approval of the Zanzibar Revolutionary Council.

65.-(1) A development license shall not be granted to an applicant unless: Restriction on  
grant of  
development  
license.

- (a) the proposals of applicant ensure most efficient, beneficial and timely use of resources concerned;

- (b) the applicant has adequate financial resources, technical and industrial competence and experience to carry out effective production operations;
- (c) the applicant is able and willing to comply with the conditions on which the license is granted;
- (d) any relevant right given is exercised and given effect or arrangement is made for that purpose or right is waived; and
- (e) the applicant is not in default.

(2) The Minister shall not refuse application for development license under subsection (1) of this section unless has given notice to the applicant of his intention to refuse granting license by giving reasons for grounds of refusal.

Notice of decision on application for development license.

66.-(1) The Minister shall, upon advice of the Authority:

- (a) give a notice of his decision to the applicant of development license; and
- (b) if the Minister is prepared to grant license, give details of the proposed license.

(2) Where the Minister is prepared to grant a development license pursuant to subsection (1) and the applicant fails to notify the Minister of his willingness to accept the proposed development license within sixty days after the applicant is given notice, his application shall lapse.

Rights conferred by development license.

67. A development license confers on the Company exclusive rights to carry on:

- (a) exploration operations in the development area;
- (b) development operations in the development area; and
- (c) operations in the development area as necessary for or in connection with any matter referred to in paragraphs (a) or (b).

68. The development license shall be valid:

- (a) for a period not exceeding twenty five years commencing on the date on which the license is granted; and
- (b) where license is extended under section 69 for further period, not exceeding fifteen years, as the Minister considers appropriate to recover from development area maximum amount of petroleum based on the best petroleum practice.

69.-(1) An application for extension of the development license shall be lodged to the Minister.

Application  
for  
development  
license.

(2) An application under this section, shall:

- (a) subject to subsection (3) of this section, be made not later than twelve months before the day on which the license is due to expire;
- (b) be accompanied by particulars of:
  - (i) work carried out, petroleum recovered and amounts expended and received in respect of development area up to and including a date not earlier than one month preceding the date of application; and
  - (ii) proposals of applicant for work and expenditure in respect of development area during the extension period applied for; and
  - (c) set out any other matters which the applicant requires the Minister to consider.

(3) The Minister may accept an application for extension of development license later than the twelve months mentioned before, and not after the date of expiry of the license.

Grant or  
refusal of  
extension  
of  
development  
license.

70.-(1) The Minister shall, on application for the extension of a development license and after being advised by Authority and upon approval of the Zanzibar Revolutionary Council, grant an extension of development license.

(2) The Minister shall, upon approval of the Zanzibar Revolutionary Council, give notice to an applicant for the extension of a development license of his decision on the application and, if he is prepared to grant the extension, he shall give particulars of any variation of the conditions of the license which are required to give effect to the application for extension, including amendments thereto and which shall have effect on the grant of the extension.

(3) If an applicant, within sixty days after giving notice pursuant to subsection (2) of this section, fails to notify the Minister of his willingness to accept the extension of the license as proposed, his application shall lapse.

(4) Where:

(a) an application for the extension of a development license has been made; and

(b) the license expires:

(i) before the Minister grants, or refuses to grant, the extension of the license; or

(ii) before the application lapses under subsection (3),

the license shall be deemed to continue in force until the Minister grants or refuses to grant the extension of the license, or the application so lapses, whichever first occurs.

(5) The Minister shall not refuse to grant the extension of a development license on application being duly made under section 69:

- (a) unless he has given to the applicant notice of his intention to do so by:
  - (i) giving in the notice particulars of the ground for the intended refusal; and
  - (ii) stating a date before which the applicant may take appropriate action or make representations in relation to that ground;
- (b) if the applicant has not, before that date, remedied the default or, in a notice given to the Minister, made representations which, in the opinion of the Minister, remove the ground for the intended refusal.

71.-(1) Upon the advice of the Authority, the Minister:

Production  
permit.

- (a) shall, before or during grant of development license, approve the production schedule contained in the development plan and issue an annual production permit to the Company;
- (b) may, upon application from the Company, approve for a fixed period of time, the quantity of petroleum which may be produced or injected at all times;
- (c) may stipulate that production shall be increased or reduced in relation to the approved production plan, and may apportion the increase or reduction proportionately between relevant reservoirs and give special consideration to long-term agreements for supply of petroleum;
- (d) shall, upon application made by the Company, approve production test of a reservoir, duration, quantity and other conditions for production test; and
- (e) shall require a Company to produce a report on field related matters, including alternative schemes for optimum recovery of petroleum.

(2) An application made under subsection (1) (b) shall be submitted in form, at such times and contents as may be prescribed in the Regulations.

Unitization. 72.-(1) The Minister may direct that one or more petroleum accumulations that extend beyond a contract area, or accumulations located in different contract areas, shall be developed and produced in a coordinated manner in order to ensure efficient petroleum activities.

(2) Following a directives by the Minister under subsection (1) of this section, the contractors concerned shall enter into a unitization agreement for the development and production of the petroleum accumulation or accumulations as a single development unit with a single operator.

(3) The unitization agreement shall be submitted to the Minister for approval.

(4) In the event that the contractors fail to reach an agreement, the Minister may direct the contractors to enter into a unitization agreement upon terms established by the Minister.

(5) Where a petroleum accumulation extends beyond the jurisdiction of the Zanzibar, the Government shall endeavour to reach an agreement with the other country with a view to ensure the correct apportionment of the accumulation and the most efficient co-ordination of petroleum activities.

Restriction on exercise of rights under license. 73. A Contractor shall not exercise any of his rights under the license or under this Act:

(a) without written consent of the Minister in respect of:

- (i) land dedicated or set apart for any public purpose other than mining;
- (ii) land dedicated as a place of burial;

- (iii) land which is the site of or is within one hundred metres of any building, reservoir or dam owned by the Government;
  - (iv) land forming part of a licensed or Government aerodrome or of any Government landing ground, or which is within one thousand metres of the boundaries thereof;
  - (v) land on which there is an installation or on land which is within one hundred metres of the boundaries thereof; or
  - (vi) a reserved area, or any protected monument, declared under the law;
- (b) in respect of land in a reserved, conserved or protected area under any law in force in Zanzibar;
- (c) in respect of any land within any city, municipality, township, minor settlement or demarcated trading areas, except with the written consent of Company's of surface rights and of the responsible Minister or relevant authority;
- (d) in respect of any street, road or highway, and within one hundred metres of any bridge, public ferry, drainage or culvert in any street, road or highway, pipeline or power line, except with the written consent of the responsible Minister or of relevant authority.

(2) A dispute as to whether or not subsection (1)(b) applies in respect of any land, shall be dealt with in accordance with relevant laws.

(3) A consent of the Minister or responsible Minister under this section may be given unconditionally or subject to such conditions as specified in the instrument of consent.

(4) For the purpose of this section, "responsible Minister" means the Minister for the time being having responsibility for that matter.

Surrender  
of license.

74.-(1) If the Contractor wishes to surrender all or any of the blocks subject to the license shall request the Company to apply to the Minister for a certificate of surrender, in respect of a block, not less than ninety days before the date on which he wishes to surrender.

(2) An application under subsection (1) shall:

- (a) state the date on which the applicant wishes the surrender to have effect;
- (b) in case some of the blocks subject to the license are to be surrendered, identify only the block to be surrendered;
- (c) give particulars of exploration or development operations carried on since the license was granted or last extended, whichever is the later, in respect of the blocks to be surrendered; and
- (d) be supported by records and reports in relation to such operations as the Minister may reasonably require.

(3) Subject to subsections (4) and (5) of this section, where the application is made under subsection (1), the Minister shall issue a certificate of surrender either unconditionally, or subject to such conditions as specified in the certificate, in respect of the blocks to which the application relates.

(4) The Minister may, before issuing a certificate of surrender under subsection (3) seek advice of the Authority.

(5) The Minister shall not issue a certificate of surrender:

- (a) to an applicant who is in default;
- (b) to an applicant who fails to comply with the requirement of the Minister in accordance with subsection (2)(d);
- (c) if the decommissioning pursuant to this Act has not been completed; or



- (d) if the Minister is not satisfied that the applicant shall leave the blocks to be surrendered on which the exploration or development operations have been carried on in conditions which are safe and accords with best international petroleum industry practices.

75.-(1) Where a certificate of surrender is issued, the Minister shall:

Effect of  
certificate  
of  
surrender.

- (a) if not all of the blocks subject to an exploration license or a development license are surrendered, amend the license accordingly; or  
(b) in any other case, cancel the license.

(2) Without prejudice to subsection (1), where the Minister amends or cancels the license as a consequent of issuance of a certificate of surrender, the Minister shall notify in writing the applicant on the amendment or cancellation of the license.

(3) A block in respect of which a certificate of surrender is issued, shall be treated as having been surrendered with effect from the date on which notice of surrender of certificate is given to the applicant pursuant to subsection (1).

(4) The surrender of any block shall not affect any right entitled or liability incurred before the date on which the surrender is effected in respect of the block.

76.-(1) Where the contractor is in default, the Minister may, upon consultation with the Authority and by notice in writing served to the Company and contractor, suspend or cancel the license.

Suspension  
or  
cancellation  
of  
license.

(2) The Minister shall not suspend or cancel a license on the ground of any default unless:

- (a) a notice in subsection (1) has been served in a period of not less than thirty days;
- (b) a specified date is mentioned on which the contractor and the Company, may, in writing, submit any matter which he wishes the Minister to consider; and
- (c) the Minister has taken into account:
  - (i) any action taken by the contractor and the Company, to remove that ground or to prevent the recurrence of similar grounds; and
  - (ii) any matter submitted to him by the contractor and the Company, pursuant to paragraph (b).

(3) The Minister shall not suspend or cancel a license on the ground of any default in the payment of any amount payable under this Act if the contractor, before the date specified in a notice referred to in subsection (2), pays the amount of money concerned together with any interest payable.

(4) The Minister may, after consultation with the Authority and by notice in writing served on the Contractor and the Company, cancel the license if:

- (a) the Contractor is declared bankrupt or enters into any agreement or scheme of composition with his creditors or takes advantage of any law for the benefit of debtors; or
- (b) an order is made or a resolution is passed of winding up the affairs of the Contractor, unless the winding up is for purpose of amalgamation and the Minister has consented to the amalgamation, or is for the purpose of reconstruction and the Minister has been given notice of the reconstruction.

(5) Where two or more persons have interest on the license, the Minister shall not, under subsection (4), cancel the license on the occurrence, in relation

to one or more persons having interest in the license, if any other person with interest on the license satisfies the Minister that the person is willing and able to carry out duties and obligations of the Company.

(6) On the cancellation of a license, the rights of the Contractor and the Company, shall cease, but the cancellation shall not affect any liability incurred before the cancellation of license.

***(d) Miscellaneous Provisions***

77.-(1) The Authority shall establish and maintain a registry of petroleum agreements, licences and authorizations, and any change in interests in an existing petroleum agreement, license or sub-contract. Petroleum  
Registry.

(2) The registry shall be open for public access, except as otherwise provided by law.

(3) Petroleum agreement and license shall be given a separate sheet in the registry. The Authority shall keep a journal of documents to be registered.

78.-(1) A legal or equitable interest in, or affecting a license shall not be capable of being created, transferred, assigned, effected or dealt with whether directly or indirectly, except by instrument in writing. Interest  
in license  
to be  
created  
by  
instrument  
in  
writing.

(2) The creation of a legal or equitable interest in, or affecting a license, shall not affect the liability of the Contractor and the Company for any breach of the conditions of the license or of any of the provisions of this Act.

79.-(1) Unless the Minister approves an instrument by which a legal or equitable interest in, or affecting a license is created, assigned, effected or dealt with, whether directly or indirectly, the transfer, or the instrument in so far as it operates, shall be of no effect. Transfer  
of  
interest  
in a  
license  
to be  
approved  
by  
Minister.

(2) An application for approval of transfer of an instrument shall be made to the Minister and shall be accompanied with:

- (a) an undertaking that the transferee is capable of discharging obligations of the transferor;
- (b) certificate of incorporation or compliance by the transferee;
- (c) transfer agreements between transferee and transferor;
- (d) certificate of tax clearance from the relevant revenue authority;
- (e) an integrity pledge by the transferee;
- (f) particulars of technical and industrial qualifications of the transferee and of his employees;
- (g) particulars of the kinds of financial resources available to the transferee, including capital, credit facilities and guarantees so available;
- (h) particulars of technical and industrial resources available to the applicant;
- (i) proposals with respect to the training and employment of local manpower; and
- (j) any other matter as the Minister may consider necessary.

(3) The Company shall have the right of first refusal to a member of contractor to assign participating interest to a non-affiliate.

(4) Subject to provisions of subsections (5) and (6), on application duly made under subsection (2), the Minister may grant or refuse to grant approval subject to any condition as the Minister considers necessary to impose.

(5) The Minister may, upon consultation with the Authority, approve transfer of interest in a license if a transferee is not a person disqualified from holding an interest in a license under any provision of this Act or any other written law.

(6) A transferor of an interest in a license shall ensure continuity of the petroleum operations under the license until such operations are taken over by transferee.

(7) The Minister shall announce without delay an approval of an assignment or change of ownership at least in one widely circulated newspaper in Zanzibar.

(8) For the purpose of subsection (1) (a) "transfer of an interest in a license" includes a transfer of an interest in a license by operation of law.

80. The Minister may require any person who makes application to furnish to the Authority such information to enable him to dispose the application, and the applicant shall comply with the requirement. Minister may require information.

81.-(1). Without prejudice the provision the provision section 43 of this Act, the company and contractor shall give copies of data, information and reports acquired under this Act to the Authority free of charge. Data, information, and reports.

(2) The Authority may permit the Company, contractor and sub-contractor to market the rights of use data on terms to be agreed upon.

(3) The Company or contractor shall not export any core, cuttings, rock samples, fluid samples or any other data collected without the written authorisation of the Authority.

(4) The Authority shall establish the Petroleum Resource Data Center for the storage of petroleum data generated under this Act.

(5) The Company and permit holder shall submit to the Authority accurate geological maps and plans, geophysical records, and interpretations relating to the license area.

(6) The Contractor and the Company shall submit to the Authority, in such form as it may require:

(a) at half-yearly intervals commencing six months after the grant of license:

- (i) a summary of geological, geochemical and geophysical work carried out;
  - (ii) a summary of all drilling activity and results obtained;
  - (iii) copies of maps, tapes or reports of other geological, geochemical and geophysical data prepared for the Company in respect of the period concerned;
- (b) within sixty days after the end of each year of the term of license:
- (i) a record describing the results of all petroleum activities carried out by the Company in the year to which the license relates;
  - (ii) estimates, if any, of economically recoverable petroleum in the form of crude oil and natural gas at the end of the year to which the license relates;
  - (c) summaries of wells drilled, including lithological groups, classification boundaries and hydrocarbon zones, within three months after completion of drilling or, in the case of information that are not obtained in that period, within thirty days after submission of that summaries; and
  - (d) any other information, data and reports as may be required.

(7) The Contractor and the Company shall disclose to the Authority, the technology necessary for evaluation and understanding of any raw data, processed data or interpreted data resulting from the Company and a permit holder who works in the license area.

Records  
to be  
kept.

82. The Contractor and the Company shall notify and submit to the Authority and keep complete and accurate records containing particulars of:

- (a) drilling operations, plugging or abandonment of wells;
- (b) strata and subsoil through which wells are drilled;
- (c) casing inserted in wells and any alteration to the casing;

- (d) any petroleum, water and minerals or dangerous substances encountered and any significant discovery of any minerals;
- (e) areas in which any geological, geophysical or geochemical work is carried out;
- (f) quality of any crude oil and composition of natural gas produced;
- (g) quantities of:
  - (i) crude oil;
  - (ii) natural gas; and
  - (iii) sulphur, in any form, or any other minerals or gases, liquids or solids disposed of by way of sale or otherwise, consideration received, the quantity disposed and name of the person to whom the quantity was disposed;
- (h) quantity of petroleum injected into formation for enhanced recovery purposes or disposal;
- (i) quantity of petroleum consumed during petroleum activities, other than quantities reported under paragraph (h),
- (j) petroleum pumped to field storage and refineries;
- (k) quantity of natural gas processed in Zanzibar by the company or on behalf of the contractor for removal of liquids and liquefied petroleum and quantity of gases or solids recovered from it; and
- (l) quantity of natural gas flared or vented.

83. Where a license or a reconnaissance permit is terminated, revoked or expires, the person who was the Company or permit holder immediately before the termination, revocation or expiration of the license or reconnaissance permit shall deliver to the Authority in a format acceptable to the Authority:

Duties on termination of license and reconnaissance permit.

- (a) all records with respect to the license;
- (b) all plans or maps of the license area which were prepared by or on the instructions of the Company or permit holder;
- (c) all tapes, diagrams, profiles and charts which were prepared by the Company or permit holder; and

- (d) any other documents and materials as the Authority may, by notice issued to the Company or permit holder, require to be delivered.

Public  
access to  
Information.

84.-(1) Information about petroleum activities contained in the Authority records shall be public in accordance with applicable law.

(2) A person may demand access to public documents shall be free, if made available for examination at the Authority's premises, or for a fee to recover the cost of copying the applicable document.

(3) The Minister shall publish in the Gazette and by any other appropriate means to inform interested persons:

- (a) calls to tender under Section 49 of this Act;
- (b) notice of the grant of licences and petroleum agreements and the grounds for the grants, and a summary of the terms of the licences and agreements;
- (c) a summary of the plan for development and operation;
- (d) notice of the termination of licences and petroleum agreements;  
and
- (e) all keys oil sector production, revenue, and expenditure data.

Confidentiality  
of data.

85.-(1) The data submitted to the Authority by a Company and permit holder shall be treated as confidential and not be reproduced or disclosed to the third party under this Act except with written consent of the Minister.

(2) The consent under subsection (1) shall not be withheld or delayed without reasonable cause.

(3) Data disclosed to third parties shall be disclosed on terms and conditions as prescribed in the Regulations, to ensure that they are treated as confidential by the recipient.



86.-(1) Where the Authority has reasons to believe that a person is capable of giving information or producing documents relating to exploration or development operations, the Authority may, by notice in writing require that person:

Further information to be furnished.

- (a) to furnish information in writing within the period and in the manner specified in the notice; or
- (b) to appear himself or person specified in the notice at such time and place to answer questions relating to the operations.

(2) A person is not excused from furnishing information, answering a question or producing a document when required to do so under this section might tend to incriminate him or make him liable to a penalty, and the information so furnished or his answer to the question shall not be admissible in evidence against him in any proceedings other than proceedings for an offence.

87.- A person who:

Failing to furnish information.

- (a) refuses or fails to comply with a requirement in the notice to the extent to which he is capable of complying with it;
- (b) in purported compliance with a requirement referred to in paragraph (a), knowingly or recklessly furnishes information that is false or misleading in a material particular; or
- (c) when attending before the Authority or any other person under a requirement referred to in paragraph (a), knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular,

commits an offence and shall be liable, upon conviction, to a fine of not less than fifty million shillings or to imprisonment for a term of three years or both.

Third party access.

88.-(1) A person who requires to use spare capacity of facility owned by another party shall, on objective and non-discriminatory conditions have a right to use such facility subject to the agreement and in accordance with the provisions of this Act.

(2) The agreement relating to use of facility shall be based on profits from production earned by producing field and owner's incentives to maintain the capacity of facilities and investments.

(3) Negotiations between owner and user of facility shall be organized and conducted based on integrity, good corporate governance and good faith.

(4) An agreement relating to the use of facilities referred to in subsection (2) shall be submitted to the Authority for approval.

(5) The Authority may, on approving an agreement pursuant to subsection (2), or in the event that no agreement is reached within a reasonable time, stipulate tariffs and other conditions or subsequently amend the conditions that have been approved or stipulated, in order to ensure implementation of projects is carried out with due regard to considerations relating to resource management.

(6) The Authority may issue directives on the use of facilities by taking into considerations efficiency, resource management or for public interest and such facility shall not be detriment to the Company's or a person who has a right of use.

Domestic supply obligation.

89.-(1) The Contractor and the Company shall have obligation to satisfy domestic market in Zanzibar from their proportional share of production.

(2) The volume of crude oil or natural gas which is required to be sold shall meet the requirements of domestic market not exceeding share of profit oil or gas of the Contractor and the Company.

90. The price of the share for domestic supply obligation, in any calendar quarter, shall be determined in manner prescribed in the Regulations.

Price  
valuation  
of  
petroleum.

91.-(1) The Contractor shall:

Work  
practices  
for the  
contractor.

- (a) carry out all reconnaissance activities in the area which the reconnaissance permit is in force in a proper and in accordance with best international petroleum industry practice;
- (b) carry out all exploration and development operations in the exploration or development area in a proper, safe and in accordance with the best international petroleum industrial practice;
- (c) take all reasonable steps to secure safety, health and welfare of person engaged in that operations, exploration or development area; and
- (d) act in accordance with the directives, restriction or requirement made by the Authority under this Act.

(2) Subject to subsection (1), the Company and contractor shall:-

- (a) control the flow of petroleum, drilling fluid, mixture of water or any other matter and prevent waste or escape in the exploration or development of petroleum;
- (b) prevent damage to petroleum bearing strata in an area in respect of which the license is not in force;
- (c) keep separate in the manner prescribed:
  - (i) each reservoir discovered in the exploration or development area; and
  - (ii) sources of water if discovered in the exploration or development area, as the Minister may, by notice in writing served on the Company, directs;

- (d) prevent water or any other matter entering into petroleum reservoir through well in the exploration or development area except when required by, and in accordance with, best international petroleum industry practices;
- (e) prevent pollution of any water-well, spring, stream, river, lake, reservoir, estuary, harbour or area of sea by escape of petroleum, salt water, drilling fluid, surfactants, gas not being petroleum or any other waste product or effluent;
- (f) furnish to the Authority prior to drill well, a detailed report on the technique to be employed, an estimate of time to be taken, the material to be used and safety measures to be employed, in the drilling of well.

(3) The Company and Contractor shall not flare or vent petroleum without prior consent from the Authority.

(4) Where the consent in writing from the Authority has been obtained, nothing in this section shall prevent a license holder and contractor from flaring petroleum in accordance with the terms of the instrument of consent.

(5) Subject to subsection (4), flaring may be required to safeguard the health and safety of person in the emergency circumstances exploration or development area, and prevent damage to the property in the exploration or development area.

(6) The Company and the Contractor shall furnish to the Authority intention to abandon any well, closure or plugging of well and the process shall be carried out in the prescribed manner with the prior consent from the Authority.

(7) take all reasonable steps to secure safety, health and welfare of person engaged in the operations of that area.

92. The Company, Contractor and permit holder who contravenes section 91, commits an offence and shall be liable, upon conviction, to a fine of Tanzania Shillings equivalent not less than ten thousand United States Dollars. Penalty for breach.

93.-(1) The Company, Contractor and permit holder shall:

Maintenance of property.

- (a) maintain in good condition and repair all structures, equipment and other property in the area subject to the license or permit;
- (b) remove from that area all structures, equipment and other property that are not used in connection with the operations in which he is engaged; and
- (c) take reasonable steps to warn person who may be in the vicinity of any structure, equipment or other property of the possible hazards resulting from it.

(2) The provisions of subsection (1) shall not apply to any structure, equipment or other property that was not brought into the area subject to a license, permit or by the Authority of the Company and the Contractor.

(3) A person who contravenes the provisions of subsection (1)(a), (b) or (c) commits an offence and shall be liable on conviction to a fine of not less than five thousand United States Dollars or imprisonment for a term of not less than six months or to both.

94.-(1) The Company and contractor shall not drill a well which is less than one thousand metres from a boundary of the area subject to the license except with the consent in writing of the Authority and in accordance with conditions specified in the written consent. Drilling near boundaries.

(2) If the Company and the contractor fail to comply with subsection (1), the authority may in writing direct the Company and Contractor to do one or more of the following activities within the period specified in the instrument to:

- (a) plug the well;
- (b) close off the well; or
- (c) comply with directives relating to the drilling or maintenance of well as specified in the written consent.

(3) A person who fails or neglects to comply with a directives given under subsection (2) commits an offence and shall, on conviction, be liable to a not less than five thousand United States Dollars or imprisonment for a term of not less than six months or to both.

Survey  
of  
wells.

95.-(1) The Authority may, at any time, by notice in writing direct the Contractor and the Company to:

- (a) carry a survey of the position of well, structure or equipment specified in the notice; and
- (b) furnish promptly to the Authority a report in writing of the survey.

(2) Where the Authority is not satisfied with the report of a survey furnished to the Authority under subsection (1), the Authority may, by notice in writing direct the Company and Contractor to promptly furnish information in writing in connection with the survey.

(3) Where a person to whom directives are given under subsection (1) (a) fails or neglects to comply with the directives, the Authority may cause to be carried a survey specified in the notice.

(4) Costs and expenses incurred pursuant to subsection (3) in the process of carrying out a survey shall be regarded as debt due to the Government and shall be recoverable notwithstanding that the Company concerned is convicted of an offence under subsection (5) of this section.

(5) A person to whom directives are given under subsection (1) or (2) fails or neglects to comply with the directives commits an offence and shall be liable to a fine of not less than twenty thousand United States Dollars or imprisonment for a term of five years or both.

96.-(1) Where a development license is granted to the Company in partnership with a Contractor, that Contractor shall not after the date of grant of license without the written consent of the Minister: Control  
over  
Contractor.

- (a) register the transfer of any share of the Contractor to any particular person or his nominee; or
- (b) enter into any agreement with any particular person, if the effect of doing so would be to give that particular person or his nominee control of the contractor's company.

(2) The Minister shall, on application made under this section, give or refuse to give consent after taking into consideration public interest.

(3) Subject to subsection (2), the Minister may require any application and information as considers necessary.

(4) For the purpose of this section:

- (a) a person shall be deemed to have control of a contractor's company:
  - (i) if such person or his nominee holds a total of twenty percent or more of equity shares in the contractor's company; or
  - (ii) if the person or his nominee is entitled to appoint or prevent the appointment of a sufficient number of directors to form a quorum at meetings of directors;
- (b) "equity shares" in relation to a contractor's company, means shares in the contractor's company having voting rights, and includes preference share other than preference shares not having voting rights; and
- (c) "preference shares" means shares which carry the right to the payment of a dividend of a fixed amount, or not exceeding a

fixed amount, in priority to payment of a dividend on another class or other classes of shares, whether with or without other rights.

Power of entry.

97.-(1) For the purposes of this Act, the Authority may, at reasonable time:

- (a) enter into any area or facility that is in connection with:
  - (i) exploration operations;
  - (ii) development operations; or
  - (iii) production operations.
- (b) inspect and test by a qualified person, any machinery or equipment that, in its opinion, is used in connection with any of the operations referred to in paragraph (a);
- (c) take or remove for the purpose of analysis, testing or use in evidence in connection with an offence against this Act, samples of petroleum, water or other substances from a well;
- (d) inspect, take extracts from, and make copies of, any document relating to any of the operations referred to in paragraph (a);
- (e) with respect to health and safety of person employed by the Company and contractor or in connection with any of operations referred to in paragraph (a) issue directives and impose restrictions on the Company or any person so employed;
- (f) by notice in writing, order:
  - (i) cessation of operations or withdrawal of any person from any area or facility that is being used in connection with operations referred to in paragraph (a); or
  - (ii) discontinuance of use of any machinery or equipment which the Authority considers to be unsafe, until such action as is necessary for safety as specified in the notice, is undertaken and completed;



- (g) make such examinations and inquiries as necessary to ensure that the provisions of this Act, and any directives issued, restrictions imposed or orders made under this Act, are being complied with; and
- (h) obtain and record statements from witnesses, and appear at or conduct inquiries held regarding accidents occurring in the course of any of the operations referred to in paragraph (a), and appear at inquests, and call, examine and cross-examine witnesses.

(2) Before exercising any of its powers under subsection (1), if there is a person in charge of the area, facility or matter in respect of which the power is about to be exercised, the Authority or authorized officer shall identify himself to that person to whom he is about to give an order or directive.

(3) A person aggrieved by a decision, directive or order of the Authority made under this section, may appeal in writing to the Board.

(4) In case of the person aggrieved to a decision, directive or order made by the Board, may appeal to the Minister who shall, as soon as practicable, hear and dispose the appeal, provided that bringing the appeal shall not affect the execution and operation of the decision, directives or order appealed from pending disposition of the appeal.

(5) Where appeal is lodged under subsection (3) and (4), the Authority or the Minister may rescind or affirm the decision, direction or order which is subject to the appeal or, make a new decision, directives or order in substitution thereof, and such decision, directives or order shall not be subject to further appeal.

(6) A person who is an occupier or in charge of any building, structure or place, or in charge of any vehicle, vessel, aircraft, machinery or equipment referred to in subsection (1), shall provide the Authority or an authorized officer with all reasonable facilities and assistance including means of transport.

Lawful  
Occupier's  
Right to  
land use.

98.-(1) The lawful occupier of any land in an exploration or a development area shall have the right to graze stock or cultivate the surface of land if the grazing or cultivation shall not interfere with exploration or development operations in such area.

(2) The lawful occupier of land in a development area shall not erect any building or structure in the area without a written consent of the Company, and if the Minister considers that the consent is being unreasonably withheld, may give his consent to the lawful occupier.

(3) The rights conferred by a license or an instrument of consent or permit, shall not be exercised so as to affect the interests of any lawful occupier of land subject to proper conduct of operations pursuant to the license or instrument of consent.

(4) Without limiting the generality of subsection (3), a person carrying on operations under a license or an instrument of consent or permit shall not take action that in any way interfere with:

- (a) fishing;
- (b) navigation; or
- (c) any other operation being lawfully carried on, by way of exploration, recovery or conveyance of petroleum or minerals,

unless he gives prior notice in writing to the Authority of the expected nature and duration of such interference.

Compensation  
for  
disturbance  
of rights.

99.-(1) Where, in the course of exploration or development operations the Company and contractor interfere with the rights of the lawful occupier of any land or cause damage to any crops, trees, buildings, stock or works thereon, by virtue of which operations are carried out, the Company and contractor shall be liable to pay to the lawful occupier fair and reasonable compensation in accordance with the Land Tenure Act.

(2) Where the amount of compensation to be paid pursuant to subsection (1) is in dispute, either party may refer the matter to the Land Tribunal for determination.

100. The Minister responsible for lands, may, if satisfied that it is necessary for development purposes or for purposes ancillary to development, grant lease upon terms and conditions as thinks fit.

Rights  
over un-  
alienated  
land.

101.-(1) A contractor shall pay royalty on petroleum as prescribed in the Second Schedule.

Royalty  
on  
petroleum.

(2) The Minister may upon the approval of the Revolutionary Council amend the Second Schedule.

(3) A person who fails to pay any royalty payable under this Act on or before the due date, the Authority may, by notice in writing served on the Company and the Contractor, prohibits the removal of, or any dealings in or with any petroleum activity from the development area concerned, until all outstanding royalty has been paid.

102.-(1) The Company and the Contractor shall pay to the Authority annual fees in respect of a license as may be prescribed in the Regulations.

Annual fees.

(2) The annual fees referred to under subsection (1) shall include:

- (a) surface rental; and
- (b) training and research fees.

103.-(1) The Contractor shall pay to the Authority bonus payment as may be prescribed by the Regulations or Petroleum Agreement as the case may be.

Bonus  
payment.

(2) Determination of bonus payment shall be made by the Minister upon the approval of the Revolutionary Council.

Taxes. 104. A person or contractor conducting petroleum activities shall pay taxes in accordance with the laws enacted by the House of Representatives for that purpose.

Ring fencing on recoverable cost. 105.-(1) The Company and the Contractor holding an exploration license or more than one developing license within a contract area shall ring fence recoverable contract expenses.

(2) Recoverable contract expenses in a license area or block within the contract area may be recoverable from petroleum revenue only from the development area that were incurred prior to commencement and during petroleum production from that development area.

Payment terms. 106. Payments due to the Government under this Act shall be in United States Dollars or equivalent to local currency.

Penalty for late payments. 107. Where a contractor fails to make payment under this Act on or before the time required, such contractor shall be liable to a penalty of a surcharge of two percent of the amount in default for each day of default.

Recovery of payments under this Act. 108. Payments and taxes under this Act are a debt due to the Government and shall be recovered in accordance with any relevant laws.

Security for compliance. 109. A contractor shall furnish to the Minister with an unconditional, irrevocable on demand guarantees from the bank acceptable to the Minister.

(2) The Minister shall determine the amount and the form of security in accordance with the regulations and in accordance with the conditions of a license granted or the terms of a petroleum agreement entered into, under this Act.

**PART V**  
**CESSATION OF PETROLEUM UPSTREAM ACTIVITIES**

Decommissioning  
plan.

110.-(1) The Company and a contractor shall submit a decommissioning plan and its updates to the Authority:

- (a) before a petroleum production permit or a specific license to install and operate facilities expires or is surrendered; or
- (b) at least five years before the use of a facility is terminated permanently.

(2) The decommissioning plan referred to in subsection (1), shall contain proposals for continued production or shut down of production, decommissioning of facilities and any other information prescribed in the Regulations or Petroleum Agreement as the case may be.

(3) The decommissioning of facilities referred to in subsection (2), may constitute further use of the facilities in the petroleum activities, other uses, complete or part removal and disposal or abandonment.

(4) The decommissioning plan shall contain information and evaluations considered necessary in order to make the directives under section 114(1).

(5) The Authority may, on receipt of the decommissioning plan, require further information and evaluations, or may require a new or amended decommissioning plan.

(6) The Company and a contractor shall update the decommissioning plan:

- (a) in conjunction with any subsequent application for a permit, to make additions or substantial changes to the facilities;

- (b) whenever the expected method or costs of carrying out the decommissioning work have changed significantly as a result of new technology;
- (c) where the previously assumed technology is considered inadequate or no longer permissible; or
- (d) when requested by the Authority, within a reasonable time limit specified in the request.

Decommissioning fund. 111.-(1) The Company and a contractor shall establish a decommissioning fund for each development area or for other facilities operated in relation to production immediately after production permit is granted for purpose of costs related to implement decommissioning plan.

(2) The decommissioning fund shall be sufficient to cover the full cost of decommissioning.

(3) Payments into the decommissioning fund shall be contributed by the Company and a contractor as may be determined in the Agreement.

(4) After completion of all decommissioning operations, in the event that the decommissioning funds established is greater than actual cost of decommissioning liabilities, the remaining fund shall be distributed between the Company and a contractor in the same ratio as contributed.

Notification of cessation of use. 112. The Company and a Contractor shall notify the Authority the time of cessation of facility if the use of a facility is expected to terminate permanently before the expiry of the license.

Disposal of decommissioned facilities. 113.-(1) The Authority may issue directives relating to disposal of decommissioned facilities and shall stipulate time limit for implementation of those directives.

(2) Directives issued by the Authority under subsection (1), shall be based on technical, safety, environmental and economic aspects and consideration for other users.

(3) The Company, a contractor or owner of a facility shall comply with the directives relating to disposal, unless directed otherwise by the Authority.

(4) The obligation to comply with the directives relating to disposal of the decommissioned facility shall apply even where the directives are made or are implemented after the expiry of the license.

(5) Where the directives are to the effect that the facility shall continue to be used in the petroleum activities or for other purposes, the Company, a contractor or owner of facility shall be jointly be obliged to ensure that future directives on disposal are complied with, unless directed otherwise by the Authority.

(6) Where the directives relating to disposal of a facility are not carried out within the stipulated time, the Authority may take the necessary measures on behalf of the Company, a contractor or other responsible party.

(7) Where the Authority takes any measures under subsection (6) on behalf of the Company, a contractor or other responsible party, any risks or costs incurred arising out of that measure, shall be borne by the company, a contractor or other responsible party.

114.-(1) Where a license has been surrendered or expired, or by reason of relinquishment ceased to comprise of an area which was the subject of a license, the Minister shall, by notice in writing served on the Company, direct within the period specified in the notice to:

Removal  
of  
property  
by  
Company.

- (a) remove or cause to be removed from the area all properties brought into that area by a person engaged or concerned in the petroleum activities, or to make arrangements that are satisfactory to the Authority with respect to that property;

- (b) plug or close off, to the satisfaction of the Authority, all wells drilled in that area by a person engaged or concerned in those operations; and
- (c) make provision, to the satisfaction of the Authority, for the conservation and protection of the environment and natural resources in that area.

(2) Where a person to whom a directive under subsection (1) is given, refuses or fails to comply with the direction within the period specified in the notice, such person commits an offence and is liable on conviction to a penalty equivalent to the total amount of money incurred in the remedy operation.

Removal  
and sale  
of  
property.

115.-(1) Where the Government takeover facility and the directives given under section 113(1) and 114(1) have not been complied with, the Authority may:

- (a) do or cause to be done all or any of the things required by the directives to be done;
- (b) remove or cause to be removed, in such manner as the Authority thinks fit, all or any of the properties from the area concerned;
- (c) dispose of, in such manner as the Authority thinks fit, all or any of the property from the area concerned; and
- (d) if it served a copy of notice by which the directives was given to a person to whom the Authority is satisfied to be the owner of the property or part of the property, sell or cause to be sold by public auction or otherwise, all or any of the property referred to in this section that belongs, or that the Authority believes, belongs to that person.

(2) The Authority shall deduct from proceeds of a sale of property under subsection (1):

- (a) the costs and expenses incurred by the Authority in relation to that property;



- (b) the costs and expenses incurred by the Authority in relation to the doing of any act required by directives to be done by the person, that the person who has been convicted of an offence under section; and
- (c) the fees or amounts due and payable by the person under this Act for a license.

(3) The costs and expenses incurred by the Authority under subsection (1):

- (a) where incurred in relation to the removal, disposal or sale of property, is a debt due by the owner of the property to the Government; and
- (b) if incurred in relation to the doing of anything required by directives under this Act to be done by the Company, a contractor or owner of facility is a debt due by that person to the Government, and to the extent which is not recovered under subsection (2), may be recovered in a court of competent jurisdiction.

116.-(1) A person who is required to implement a decision relating to disposal of a decommissioned facility is liable for damage or inconvenience caused in connection with the disposal of the facility or other implementation of the decision.

Liability for damages for disposal of decommissioned facility.

(2) Where the Company and a contractor abandon a facility shall be liable for damage caused in connection with the abandoned facility.

(3) Where there is more than one party liable under subsection (1) or (2), the parties shall be jointly and severally liable for all financial obligations.

(4) Where a need to abandon a facility arises, the Company, contractor and the Government, shall ensure that future maintenance, responsibility and liability are taken over by the Government, based on an agreed financial compensation.

Takeover  
of  
facilities  
by  
Government

117.-(1) The Government may take over facilities used by a contractor if:

- (a) a license expires;
- (b) a license is surrendered or cancelled;
- (c) a contractor's costs have been fully recovered; or
- (d) use of the facility has been terminated permanently.

(2) Where the takeover of a facility is intended to expropriate private property rights, compensation shall be paid in accordance with the law and procedure prescribed in the Regulations.

(3) Where the Government takes over a facility, the facility with its accessories shall be kept in such manner as the operation may require such condition with adequate maintenance as is required to ensure functional capability.

(4) Any dispute occurred relating to the compensation to be paid to the Government for lack of maintenance, that compensation shall be determined by the Government Valuer or any other relevant authority.

(5) Where the Government takes over a facility, the Authority shall determine the manner in which the facility shall continue to operate.

## **PART VI OCCUPATIONAL HEALTH AND SAFETY AND ENVIRONMENTAL PRINCIPLES**

Occupational  
health and  
Safety.

118.-(1) Petroleum activities shall be conducted in such a manner to enable a high level of safety to be maintained and further developed in accordance with technological developments, best petroleum industry practices and standards, occupational health and safety and any other relevant laws.

(2) The Company, a contractor and operator shall:

- (a) establish, implement, follow up and develop an appropriate management system designed to ensure systematic and continuous

compliance with all applicable requirements for health, safety and the working environment as prescribed in the Regulations.

- (b) identify hazards and evaluate risks associated with any work performed in the course of petroleum activities carried out under the license which constitute a hazard to health of persons employed for the purposes of that work and the steps need to be taken to comply with the provisions of this Act;
- (c) develop and submit plan indicating prevention, handling and mitigation measure on HIV/AIDS and other transmittable and communicable diseases in the areas of license operations;
- (d) ensure the safety of any person employed or otherwise present or in the vicinity of any installation is done in accordance with the occupation, health and safety law or any other relevant law; and
- (e) protect environment and natural resources, including taking precautions to prevent pollution.

119. The Company, contractor and any other person participating in petroleum activities shall, at all times, maintain efficient emergency preparedness with a view to deal with accidents and emergencies which may lead to loss of life, injury, pollution or major damage to property.

General requirements for emergency preparedness.

120.-(1) The Company, a contractor and any other person shall initiate and maintain security measures to avoid attacks against facilities and shall at all times have contingency plans to deal with such attacks.

Emergency preparedness against deliberate attacks.

(2) The Company, a contractor and any other person shall place facilities at the disposal of the relevant authorities for emergency and security operations including drills and shall where necessary, participate in such drilling.

121.-(1) There shall be a safety zone surrounding every facility used for carrying out petroleum activities, unless otherwise determined by the Authority.

Safety zones.

(2) The Authority may, in case of accidents and emergencies, establish or extend the safety zones under subsection (1).

(3) The extent of the safety zones referred to in subsections (1) and (2) shall be determined by the Authority,

(4) Where a safety zone extends across the border line with another country, the Authority shall consult the Minister before exercising its powers under subsection (2).

(5) The Authority may direct that:

(a) a zone corresponding to the safety zone shall be established in reasonable time before placing of facilities as mentioned in subsection (1); or

(b) there shall be a safety zone around and above abandoned or dumped facilities, or parts of the facilities.

(6) An activity shall not be carried out in the safety zones without Authority permission.

Suspension  
of  
petroleum  
activities.

122.-(1) Where an accident or an emergency occurs, the Company, a contractor or other person responsible for the operation and use of the facility shall, suspend the petroleum activities.

(2) Where special circumstances exist, the Minister may order that petroleum activities be suspended or may impose conditions to allow continuation of the activities.

(3) Where the Minister makes an order under subsection (2) basing on circumstances not caused by the Company, he may, upon application, extend the period of time for which the license applies and mitigate the obligations of the Company.

123. Where an accident occurs in connection with petroleum activities and the Minister considers the accident to be serious, he may appoint a commission of inquiry to inquire into the accident.

Commission  
of inquiry.

124.(1) The Company, a contractor and any other person who exercises or performs functions, duties or powers under this Act in relation to petroleum operations shall comply with environmental principles and safeguards prescribed in the Zanzibar Environment Management Act and other relevant laws.

Compliance  
with  
environmental  
principles.

(2) The Company, a contractor or any other operator shall ensure that the management of production, transportation, storage, treatment and disposal of waste arising out of petroleum operations is carried out in accordance with environmental principles and safeguards prescribed under the Zanzibar Environment Management Act and other related laws.

(3) The Company and a contractor may contract a separate and competent entity to manage transportation, storage, treatment or disposal of waste arising out of petroleum operations.

(4) The Company and a contractor shall apply a permit to the Zanzibar Environment Management Authority for management, transportation, storage, treatment or disposal of waste arising out of petroleum operations.

(5) The Zanzibar Environment Management Authority in consultation with the Authority may grant a permit for management, transportation, storage, treatment or disposal of waste arising out of petroleum activities to an entity contracted by the Company and a contractor under subsection (3) on terms and conditions prescribed in the permit.

(6) A person who carries on management of production, transportation, storage, treatment or disposal of waste arising out of petroleum operation without a permit or fails to comply with the terms and conditions prescribed in the permit, commits an offence and shall be liable on conviction to a fine of not less than one million United States Dollars or imprisonment for a term of ten years or both.

Pollution  
damage.

125.-(1) In carrying out their activities, the Company, a contractor or any other person shall take all precautions necessary to protect the environment in order to preserve the same in respect of health, nature, biodiversity, flora, fauna, ecosystems, landscape, atmosphere, culture, archeological and artistic heritage.

(2) For the purpose of subsection (1) of this section, the Company and a contractor shall submit to the Zanzibar Environmental Management Authority and to the Authority, all necessary plans required by the Zanzibar Environmental Management Act.

(3) The Company and a contractor shall indemnify the Authority any harm to environment or person once discovered in carrying out petroleum activities and proper remedial measure to follow.

(4) Petroleum activities shall be carried out in accordance with applicable laws, regulations and the generally accepted environmental, safety, hygiene, health and best industry practices.

Liability  
for  
pollution  
damage.

126.-(1) The Company, a contractor and any other person shall be liable for pollution damage without regard to fault.

(2) Where it is demonstrated that an inevitable event of nature, act of war, exercise of relevant authority or a similar force majeure event has contributed to a considerable degree to the damage or its extent under circumstances, which are beyond the control of the company or contractor, the liability may be reduced to the extent that is reasonable, with particular consideration to the:

- (a) scope of the activity;
- (b) situation of the party that has sustained the damage; and
- (c) opportunity for taking out insurance.

Liability for  
pollution  
damage  
caused  
without a  
license or  
permit.

127.-(1) Where pollution or damage occurs during a petroleum operations and the operation has been conducted without a license or permit the party conducted the petroleum operations is liable for the damage, regardless of fault.

(2) The liability shall be applied to any other person who has taken part in the petroleum operations, and who knew, or should have known, that the activity was conducted without a license or permit.

128.-(1) The liability of a company and contractor for pollution damage may be claimed in accordance with this Act and any other applicable law. Claiming of damages.

(2) Liability for pollution damage may not be claimed against:

- (a) any person other than a company and contractor who undertakes measures to avert, limit pollution damage, save life or rescue values which have been endangered in connection with the petroleum operation, unless the measure taken conflicts with prohibitions imposed by a relevant authority or by a person other than a relevant authority regardless of express prohibition by the operator or owner of the values threatened; or
- (b) any person employed by a company or person referred to in paragraph (a).

(3) Where the company and the contractor have been ordered by court to pay compensation for pollution damage, but fail to pay within the time stipulated in the judgment, the party that has sustained damage may bring an action against the party that has caused the damage to the same extent as the company and the contractor may bring an action for recourse against the party who caused the damage.

(4) The company and the contractor may claim compensation from the party who caused pollution damage to the Company and contractor to the same extent as the Company and contractor may bring action for recourse against the party that caused the damage.

129.-(1) The company and the contractor may not claim compensation for damage caused by pollution against a person exempted from liability, except where such person acted willfully or negligently. Claiming compensation for pollution.

(2) Recourse liability may be mitigated to the extent that it is considered reasonable in view of manifested conduct, economic ability and the circumstances in general.

(3) An agreement on further recourse in respect of a person against whom liability is imposed contrary to subsection (1) is invalid and shall not be claimed for damages.

Jurisdiction. 130. Legal action for compensation for pollution damage shall be brought before a competent court in the area where the effluence or discharge of petroleum takes place or where damage is caused.

Environmental Management. 131.-(1) All infrastructural facilities established and operated in connection with a petroleum system shall be operated in accordance with Zanzibar Environment Management Act.

(2) Where an environmental impact assessment is required or conditions are to be met in accordance with the Zanzibar Environmental Management Act and other relevant laws, the applicant for the license or approval shall fulfill such requirements or conditions.

(3) Provisions shall be made for the proper restoration of the operating environment to its natural condition with decommissioning plan for petroleum facilities being submitted before the cessation of use, and according to the Zanzibar Environmental Management Act and other relevant laws.

Petroleum leakage. 132.-(1) The Company and a contractor shall submit a detailed environmental impact assessment in accordance with the Zanzibar Environmental Management Act and preventive and responsive plan towards petroleum leakage.

(2) Where there is petroleum leakage that poses or presents a significant risk to public health and safety, the company or the contractor shall, as soon as practicable take all necessary measures to stop the leakage or minimize the risk of the leakage.



(3) Without prejudice to subsection (1), the company or contractor shall, within twenty- four hours of the discovery of the petroleum leakage, report the incident to Authority.

133.-(1) A custodian of the product where there is a major spill of petroleum or products associated to petroleum activities shall report the incident to the Authority within twenty four hours after the spillage of the products. Petroleum and petroleum products spill.

(2) The Company, a contractor or owner of the product shall urgently take all appropriate steps to clean-up the petroleum product spill and pay for the costs in accordance with any relevant law.

(3) Where the Company, a contractor or person referred to under subsection (2) fails to comply to the satisfaction of the Zanzibar Environmental Management Authority within the time specified in the notice or within such further period as the Zanzibar Environmental Management Authority may allow in writing, or cause such steps to be taken as may be necessary to clean up the spill and recover the costs incurred in accordance with the relevant laws.

(4) This section shall apply to an incident:

- (a) constituting or arising from, whether wholly or in part, a petroleum product spill or involving the risk of a petroleum product or products associated to petroleum activity; or
- (b) arising from the cleaning-up or restoring of relevant premises.

(5) Where a Government institution or a local authority incurs costs or expenses as a result of the occurrence of an incident to which this section applies, any such costs or expenses reasonably incurred by the relevant authority shall be recovered as a Government debt in accordance with the relevant laws.

(6) The costs or expenses may be recovered:

- (a) in the case of costs or expenses incurred by a local authority; or

- (b) in the case of costs or expenses incurred by the Government institution concerned.

(7) The costs or expenses incurred may be recovered from:

- (a) in the case of an incident referred to in paragraph (a) of subsection (4):
  - (i) the person who was the owner of the petroleum product or product associated with petroleum activities at the time of the incident;
  - (ii) the person who was in control or possession of the petroleum product or product associated with petroleum activities at the time of the incident; or
  - (iii) the person who caused the incident;
- (b) in the case of an incident referred to in paragraph (b) of subsection (4):
  - (i) the relevant license or approval holder;
  - (ii) the owner of the relevant premises, buildings, structures or plant where such spill originated; or
  - (iii) the person who caused the incident.

(8) Notwithstanding any provision of this subsection, costs and expenses shall not be recovered against a person who proves that:

- (a) the incident was due to some causes beyond the person's control or to the act or default of another person;
- (b) such person could not by the exercise of reasonable diligence have prevented the occurrence of the incident; or
- (c) the incident is not attributable to an act or omission of a person who was an employee or agent of that person at the time when the incident occurred.

(9) For the purpose of this section "major petroleum or products associated to petroleum activity spill" means a petroleum or petroleum product spill that will cause the concentration of such products in excess of the permitted amount by the environmental management laws.

**PART VII**  
**LOCAL CONTENT, CORPORATE SOCIAL RESPONSIBILITY**  
**AND INTEGRITY PLEDGE**

134.-(1) The Company and contractors shall contribute to the development of local content by:

Local content development and provisions of goods and services.

- (a) supporting to develop local institutions of higher learning and vocational training centers to enable them participating in petroleum activities through training and recruitments; and
- (b) adopting measures to guarantee, promote and encourage local investors to invest in petroleum activities.

(2) The Company and contractors shall give preference to goods and services available in the local market rendered by Zanzibaris and or local companies.

(3) Where goods and services required by the petroleum industry are not available in Zanzibar, such goods and services shall be provided by a company which has entered into a joint venture with a local company.

(4) The local company referred to in subsection (3) shall own share of at least fifteen percent in the joint venture.

(5) For purposes of subsections (1) and (2), the Company, contractor and subcontractor shall prepare and submit to the Authority a procurement plan for a duration of at least three years indicating among others, use of local services in insurance, financial, legal, accounts and health matters and goods produced or available in Zanzibar.

(6) The Company, contractors and any other person shall ensure that entities referred to in subsection (1) notify the Authority on:

- (a) quality, health, safety and environment standards required by the company and a contractor;
- (b) upcoming contracts as early as practicable; and
- (c) compliance with the approved local content plans.

(7) The entities referred to in subsection (1) shall:

- (a) have capacity to add value to meet health, safety and environment standards of petroleum operations activities carried out by the Company and a contractor; and
- (b) be approved in accordance with criteria prescribed in the Regulations.

(8) Within sixty days after the end of each financial year, the company shall submit to the Authority a report of its achievements and its contractors and subcontractors' achievement in utilizing Zanzibaris goods and services during that financial year.

(9) The contractor shall submit to the Authority:

- (a) a report on the execution of a programme under this section as prescribed in the Regulations;
- (b) a detailed local supplier development programme in accordance with approved local content plan.

(10) For the purpose of this Act "local companies" means a company or subsidiary company incorporated under the Companies Act, which are majority shares owned by a Zanzibaris.

Training  
and  
employment

135.-(1) The company and a contractor shall, within twelve months after the grant of each license, and on each subsequent anniversary of that grant, submit to the Authority for approval, a detailed programme for recruitment and training of Zanzibaris in accordance with an approved local content plan.

(2) The programme shall provide training and recruitment of Zanzibaris in all phases of petroleum operation activities and take into account gender, equity, persons with disabilities, host communities and succession plan in accordance with the Employment and Labour Relation Acts.

(3) Where a programme or a scholarship proposed to be awarded under this section is approved by the Authority, it shall not be varied without permission of the Authority.

(4) The company and a contractor shall submit annually to the Authority, report on the execution of the programme under this section.

(5) In this section "host communities" means inhabitants of the local area in which petroleum operations take place.

136.-(1) A report referred to under section 135(4) shall include:

- (a) a clearly defined training programme for the Zanzibaris employees of the Company and a contractor, which may be carried out within or outside Zanzibar and may include scholarships and other financial support targeted for education;
- (b) a commitment by the Company and a contractor to maximize knowledge transfer to Zanzibaris and establish management and technical capabilities and any necessary facilities for technical work including interpretation of data.

Training  
and  
technology  
transfer.

(2) The Authority may make rules and guidelines prescribing requirements for the Company and a contractor to provide technology transfer and skills relating to petroleum industry to Zanzibaris who are employed in that sector.

(3) The technology transfer required under sub section (1) shall be a shared responsibility between the Government, the Company and contractor.

(4) A the Company and a contractor shall be required to provide a report on the progress made by Zanzibaris on training programme and steps taken by contractor to close any identified learning gaps.

Corporate  
Social  
Responsibility.

137.-(1) The Company and a contractor shall on annual basis, prepare a Corporate Social Responsibility plan jointly agreed by the relevant local government authority based on Zanzibar Corporate Social Responsibilities Strategies Plan.

(2) The plan prepared under subsection (1) shall take into account environmental, social, economical and cultural activities based on local government priorities of host community.

(3) The Corporate Social Responsibility plan referred to under subsection (1) shall be submitted by the company to a local government authority for consideration and approval.

(4) Subject to the provisions of this section, every local government authority shall:

- (a) oversee the implementation of Corporate Social Responsibility action plan; and
- (b) provide awareness to the public on petroleum projects in their areas.

Integrity  
pledge.

138.-(1) A Company and a contractor who undertakes petroleum activities under this Act shall be required to comply with the integrity pledge.

(2) The integrity pledge referred to under sub-section (1) implies the following requirements:

- (a) the conduct of regulated activities with utmost integrity;
- (b) abstain from engaging in any arrangement that undermines or is in any manner prejudicial to the country's financial and monetary systems;

- (c) abstain from engaging in any arrangement that undermines or is otherwise prejudicial to tax system;
- (d) abstain from engaging in any arrangement that is inconsistent with the country's economic objectives, policies and strategies;
- (e) abstain from engaging in any arrangement that undermines or is otherwise prejudicial to national security; and
- (f) maintenance of satisfactory and effective insurance coverage against losses, injuries or damage to environment, communities, individuals and properties, that may be occasioned in the course of carrying out regulated activities.

(3) Any person who fails to comply with integrity pledge shall be in breach the conditions of license or permit to engage in the regulated activity and that license or permit shall be deemed to have been withdrawn or cancelled and the Government shall exercise the right of takeover facilities provided for under this Act.

## **PART VIII OFFENCES AND PENALTIES**

139. A person who:

- (a) without reasonable excuse, obstructs, molests or hinders an authorized officer in the exercise of his powers under this Act;  
or
- (b) knowingly or recklessly makes a statement or produces a document that is false or misleading in a material particular to an authorized officer engaged in carrying out his duties and functions under this Act,

Obstruction  
of an  
authorized  
officer.

commits an offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than One Hundred Thousand United States dollar or to imprisonment for a term of not less five years or both.

Obstruction  
of the  
Company  
and a  
contractor.

140. A person who, without reasonable excuse, obstructs, molests, hinders or prevents the Company or a contractor in or from undertaking any activity which the license is authorized to do by this Act or by his license, commits an offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than Five Hundreds Thousand United States dollar or to imprisonment for a term of not less five years or both.

Offences  
committed  
by body  
corporate  
or  
individual.

141.-(1) Where an offence committed by a body corporate is proved to have been committed with the consent or participation of, or under his power to any neglect on the part of a director, manager, secretary or other similar officer of the body corporate or any person who was purporting to act in any that capacity, he as well as the body corporate, commits that offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than Fifty Thousand United States dollar.

(2) An individual who commits an offence under subsection (1), shall be liable to a fine of Tanzanian shillings equivalent to not less than Ten thousand United States dollar or to imprisonment for a term of not less five years or both.

Order for  
forfeiture.

142.-(1) Where a person is convicted of an offence under this Act, the court may, in addition to any other penalty imposed, make:

- (a) an order for the forfeiture of any funds, money instruments, documents, facilities, vehicles, crafts, vessels or equipment used in the commission of the offence; and
- (b) an order:
  - (i) for the forfeiture of petroleum obtained or recovered in the course of the commission of the offence;
  - (ii) for the payment by that person to the Government of an amount equal to the proceeds received of the sale of petroleum so obtained or recovered; or



- (iii) for the payment by that person to the Government of the value at the fiscal meter, assessed by the court in respect of the quantity recovered or for the payment of such a part of that amount as the court, having regard to all the circumstances, thinks fit.

(2) Where the court is satisfied that an order made under subsection (1)(b)(i) shall not for any reason be enforced, the court may, upon the application of the person to whom the proceedings were brought, set aside the order and make an order referred to in subsection (1)(b)(ii) or (iii).

(3) The court may, before making an order under this section, require notice to be given to, and hear any person as the court considers necessary.

143. A person who without reasonable excuse contravenes any directive issued under this Act, commits an offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to:

Contravention of decisions and orders issued under this Act.

- (a) in the case of an individual, to a fine of not less than fifty thousand United States Dollars or to imprisonment for a term of not less than ten years or both; or
- (b) in the case of a body corporate, to a fine of not less than two hundred and fifty thousand United States Dollars.

144. A person who:

General offences.

- (a) in any application under this Act, knowingly or recklessly gives or permits to be given information which is false or misleading in a material particular;
- (b) in any report, return or affidavit submitted in accordance with this Act or a license, knowingly or recklessly includes, or permits to be included, any information which is false or misleading in a material particular; or

- (c) places or deposits, or is accessory to the placing or depositing of, any petroleum or substance in any place with the intention of misleading any other person as to the possibility of a reservoir existing in that place,

commits an offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to:

- (i) in the case of an individual, not less than two hundred and fifty thousand United States Dollars or imprisonment for a term not less than ten years or both; or
- (ii) in the case of a body corporate, not less than five hundred thousand United States Dollars or to imprisonment for a term not less than five years or both.

Offences  
and  
penalties.

145.-(1) A person who:

- (a) without reasonable excuse, refuses, delays or fails to produce any document or other information relating to petroleum operations and installations that may be required to be produced under this Act;
- (b) with intent to mislead or deceive any authority or an authorized officer when so engaged, does any act or withholds any information;
- (c) publishes or otherwise discloses any information in contravention of any provision of this Act;
- (d) without reasonable excuse, resists, hinders or obstructs an inspector or other officer of Authority or any other person who acts on behalf of Authority, to enter or inspect any premises or to stop and search any vehicle or to otherwise comply with his duties and rights under this Act;
- (e) refuses, delays or fails to comply with any order, prohibition, directives, demand, requirement or notice lawfully made, served, published or otherwise given under this Act;

- (f) contravenes any provision of this Act or any rules, orders or regulations made under this Act; and
- (g) discloses confidential information while still working in the Authority or public service related to the petroleum industry or when ceases to be public servant or member of the Board of the Authority or Corporation which he obtained in the course of his employment.

commits an offence, upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than Twenty thousand United States dollar or to imprisonment for a term of not less five years or both.

(2) A person who attempts or assists to alter, remove or connect to any pipeline or petroleum installations without consent of the Company and a contractor commits an offence upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than Ten thousand United States dollar or to imprisonment for a term of not less five years or both.

(3) A person who continues to commit an offence shall be liable to a fine of five hundred United States Dollars for each day on which the commission of that offence continues.

(4) A person who:

- (a) sabotages the operation of the petroleum installations;
- (b) distorts the function of the system;
- (c) does anything that endangers the functioning of the system; or(d) omit to do, or otherwise refrain from doing any lawful act obliged by the law or contract or lawful order, which result to the sabotage, distortion or endanger the functioning of the system,

commits an offense upon conviction shall be liable to a fine of Tanzanian shillings equivalent to not less than Ten thousand United States dollar or to imprisonment for a term of not less five years or both.

Compounding  
of offences  
by the  
Authority.

146.-(1) Upon application by any person who commits an offence other than an offence under section 145(4), the Authority may compound an offence committed by any person under this Act or its Regulations by requiring that person to pay the fine prescribed for such offence, provided that the person:

- (a) admits in writing that he has committed an offence and shall take due care not to repeat it;
- (b) pays all his liabilities or any other sums payable under this Act or Regulations.

(2) If criminal proceedings have been instituted against a person, the power conferred under this section shall not be exercised without the written consent of the Director of Public Prosecutions of Zanzibar.

(3) A person who agrees to pay a fine under sub-section (1) shall be provided by the Authority with a certificate setting out the nature of the offence, the date or period of its occurrence, the fine paid and any conditions to the compounding agreement.

(4) If the fine imposed under sub-section (1) of this section is not paid on demand, the Authority may institute court proceedings or may take steps for recovery of the fine in any manner permitted by this Act for the recovery of unpaid liabilities.

(5) The imposition of a fine under sub-section (1) of this section shall not be regarded as conviction for the alleged offence and, provided the liability due is paid in full, no proceedings for the alleged offence shall be instituted or maintained.

(6) Where any person agrees to compound an offence, the certificate of compounding shall not be subject to appeal and may be enforced in the same manner as a decree or order issued by the High Court.

## PART IX DISPUTES SETTLEMENT

147.-(1) The Authority may inquire and decide all disputes between a person engaged in petroleum exploration or development operations, either among themselves or in relation to themselves and third parties other than the Government not so engaged, in connection with:

Authority may decide disputes.

- (a) the boundaries of any exploration area or development area;
- (b) any act committed or omitted, or alleged to have been committed or omitted, in the course of, or ancillary to, exploration or development operations;
- (c) the assessment and payment of compensation pursuant to this Act; or
- (d) any other matters in relation to petroleum exploration and development operations.

(2) The Authority may make any decree or order which may be necessary for the purpose of giving effect to its decision in proceedings pursuant to this Part, and may order the payment, by any party to a dispute, of that compensation as may be reasonable, to any other party to the dispute.

(3) The Authority may, refuse to decide any dispute referred to under this Part and, if it does so, shall notify the parties to the dispute in writing accordingly.

148.-(1) The Authority may send a certified copy of any decree or order made by Authority to any court within the local limits of its jurisdiction subject to any appeal, the civil court shall enforce the decree or order of the Authority in the same manner in which it enforces its own decrees or orders.

Enforcement of Authority's decrees and orders.

(2) The fees payable upon the enforcement of a decree or order are those which are payable upon the enforcement of decree or order made by the court concerned.

Jurisdiction of courts excluded. 149. A person shall not commence proceedings in a court in respect of any dispute of a kind referred to in section 147 unless the Authority has refused pursuant to subsection (3) of that section to decide the dispute.

Rules with respect to proceedings. 150. The Authority may make rules with respect to initiation and conduct of proceedings under section 147 and keeping of records and notes of evidence concerning any such proceedings.

## **CHAPTER X TRANSITIONAL PROVISIONS**

Prior Contracts. 151.-(1) The Government shall not assume any obligations or responsibility under or in connection with prior contracts related to petroleum activities, and is not a successor to such contracts.

(2) The Government shall not be responsible for a loan or other debt obligation incurred prior to the commencement of this Act.

(3) The Minister may re-designate those blocks that overlap the border within the Republic with respect to the areas within the territory of Zanzibar and Tanzania - mainland and the terms of the new petroleum agreements shall reflect these new designations.

## **PART XI GENERAL PROVISIONS**

Use of license as Security. 152.-(1) The Minister may after being advised by the Authority, consent to the use of a development license by the Company and a contractor under this Act as security of his share of the license as part of the financing of the activities associated with the production license in a manner prescribed in the Regulations.

(2) The security referred to in subsection (1) shall be to the company's share or entitlement of the future revenue obtained from production of petroleum as provided for in the agreement.

153-(1) An officer in the public service who engages in the implementation of this Act shall not, in his private capacity, knowingly, directly or indirectly, acquire, attempt to acquire or hold: Conflict of interest.

- (a) an interest in a license for petroleum operations;
- (b) a direct or indirect economic interest, participation interest or share in an entity that is authorized under this Act to carry out petroleum operations in Zanzibar; or
- (c) a direct or indirect economic interest, participation interest or share in a body corporate that is providing goods or services to the Company and contractor under this Act.

(2) A person who contravenes subsection (1) commits an offence upon conviction, shall be liable to a fine of Tanzania Shillings equivalent to not Twenty Five Thousand United States Dollars or imprisonment for a term not less than five years or both.

(3) In proceedings for a prosecution for an offence under this section of acquiring or maintaining an interest of a kind referred to in subsection (1), it shall be a sufficient defense if the person charged proves that the interest was acquired by operation of law.

154. For the purposes of ensuring that:

- (a) transparency and accountability on collection, allocation, expenditure and management of petroleum revenues; Petroleum Revenues Fund.
- (b) petroleum revenue is used for sustainable development of the petroleum industry and the benefit of the present and future generations,

the Government shall enact a law providing for establishment of a Petroleum Revenues Fund into which shall be deposited revenues derived from petroleum.

Regulations. 155.-(1) The Minister may make regulations providing for matters which under this Act are required or permitted to be prescribed for giving effect to this Act.

(2) Without prejudice to subsection (1), the Minister shall make regulations providing for:

- (a) exploration for petroleum and the carrying on of operations and the execution of works for that purpose;
- (b) recovery of petroleum and the carrying out operations, and the execution of works for that purpose;
- (c) conserving, and preventing the waste of the natural resources, whether petroleum or otherwise, of the land to which this Act applies;
- (d) construction, placement and operation of facilities for the carrying on of the operations, and execution of works, for any of those purposes;
- (e) control of the flow and the prevention of the escape of petroleum, water, gases other than petroleum or other noxious or deleterious matter;
- (f) prevention of escape of water or drilling fluid or the mixture of water or any other matter;
- (g) removal of structures, equipment and other property brought in Zanzibar in connection with exploration, recovery or conveyance of petroleum that are not used or intended to be used in connection with that exploration, recovery or conveyance;
- (h) pressure maintenance in or the re-pressuring of a petroleum reservoir and the re-cycling of petroleum;
- (i) secondary or tertiary recovery of petroleum from a petroleum reservoir and the methods to be used in such recovery;



- (j) use of wells and the use of the subsurface for the disposal of petroleum, water and other substances produced in;
- (k) association with the exploration for or the recovery of petroleum;
- (l) rates or method of setting rates, at which petroleum and water may be recovered from any well or petroleum reservoir;
- (m) methods to be used for measurement of petroleum, water and other substances from a well;
- (n) safety standards of petroleum, health and safety of persons employed in the exploration for recovery or conveyance of petroleum;
- (o) taking, preserving and furnishing to the Authority cores, cuttings and samples from wells and samples of petroleum and water;
- (p) giving to the Authority reports, returns and other information;
- (q) taking of logs or directional surveys or making other down-hole investigations;
- (r) ring fencing of recoverable cost in relation to exploration and development license;
- (s) the manner of payment of any royalty, bonus, profit, fees or any other payments;
- (t) the care and custody of records and reports; or
- (u) any other regulation for better carrying out of the provisions and purposes of this Act.

**FIRST SCHEDULE**  
**PROCEEDINGS OF THE BOARD**  
**[Made Under Sections 16]**

1. The Board shall meet ordinarily at least once in every three months and may meet at any time when the need arises for the discharge of business at such places as the Board may from time to time appoint.

Meeting  
of the  
Board.

Convening  
of  
meeting. 2.-(1) All meetings of the Board shall be convened by the Chairperson or in his absence by the Vice-Chairperson.

(2) The Chairperson or in his absence, the Vice-Chairperson, shall convene a special meeting of the Board upon a request in writing signed by more than half of the members of the Board and shall cause such a meeting to be held within twenty one days of receiving such request.

(3) In the absence of both Chairperson and Vice Chairperson, the members present shall elect one from their number to preside the meeting, and the member so elected shall exercise all the powers and perform all the duties of the Chairperson.

Vice  
Chairperson. 3. The Board shall elect one of their members to be a Vice-Chairperson of the Board.

Tenure of  
the Board. 4.-(1) The Chairperson of the Board shall hold office for a term of three years from the date of appointment and may be eligible for re-appointment for other terms.

(2) Save for an ex-officio members, other member of the Board shall, unless his appointment is sooner terminated or ceases in any other way, hold office for a period of three years and shall be eligible for reappointment for only other terms.

Quorum  
of  
meeting. 5. More than half of the total number of members shall constitute a quorum at any meeting of the Board.

Decisions  
of the  
Board. 6.-(1) The Board shall make its decision by consensus and in the event of disagreement, the decision shall be reached by voting and in case of any equality in the votes the Chairperson or Vice-Chairperson or member presiding the meeting shall have a casting vote.

(2) Notwithstanding sub-section (1) decisions may be made by the Board by circulation of papers to the members whereby each member shall express his views in writing provided that any member may require that any such decision be deferred for discussion at a full meeting of the Board.

(3) A circular resolution in writing signed by all members for the time being in Zanzibar but who shall not be less than five members, shall be as effectual as a decision made at a meeting provided that a member may require, notwithstanding the members' signature, the matter be brought at the following Board meeting.

7. The Board shall cause to be recorded and kept minutes of all proceedings of its meetings and the minutes of each meeting of the Board shall be confirmed by the Board at its next meeting and signed by the Chairperson of the meeting and Secretary of the Board.

Minutes  
of meeting  
of the  
Board.

8. The Board may co-opt any person who is not a member, to attend any deliberations of the meeting of the Board as an expert but such person so co-opted shall not have the right to vote.

Co-opting  
of person.

9.-(1) A member who directly or indirectly has interest in a contract or proposed contract or any matter being deliberated by the Board, shall declare the nature of his interest to the Board and shall refrain from participating in the deliberation of the matter.

Disclaimer  
of interest  
of member.

(2) A member who become to have interest with any matter which has been deliberated by the Board and such member failed to declare his interest and participate in the deliberation of the Board, shall be eligible to be terminated to be member of the Board.

10.-(1) The Chairperson or any member of the Board may, at any time resign by giving notice in writing to the appointing authority and from the date specified in the notice or, if no date is so specified, from the date of receipt of the notice by the appointing authority, he shall cease to be a member.

Resignation  
of member

(2) Where a person ceases to be a chairperson or member of the Board as the case may be, for any reason before the expiration of his term of office, the appointing authority shall appoint another person in his place and the person so appointed shall hold office for the remainder of the term of office of his predecessor.

(3) Where any member becomes absent from three consecutive meetings of the Board without reasonable excuse, the Chairperson of the Board shall report to the Minister of the fact and the Minister shall terminate the appointment of the member and appoint another member in his place and the person so appointed shall hold office for the remaining terms of office of his predecessor.

(4) Where the Chairperson becomes absent from three consecutive meetings without reasonable excuse, the Vice-Chairperson shall report to the Minister, whom shall forward the same to the President, and the President may if deemed fit, appoint another Chairperson.

Vacancy of  
member.

11.(1) The office of a member of the Board shall become vacant:-

- (a) upon his death;
- (b) if he, without sufficient cause, fails to attend three consecutive meetings of the Board;
- (c) if he resigns or becomes in any manner disqualified from membership of the Board; or
- (d) if he becomes incapacitated by reasons of physical or mental health to perform his duties.

(2) Subject to the provisions of this Act relating to quorum, the Board may act notwithstanding any vacancy in the members thereof and no act or proceedings of the Board shall be invalid by reason only of some defect in the appointment of a person who purports to be a member thereof.

12.-(1) The Board may, for the purpose of facilitating the performance of its functions, establish such number of Committees to perform the specific functions as the Board may determine.

Committees of the Board.

(2) The proceedings, terms and other matters relating to such Committee so established, shall be as prescribed by the Board.

13. The Chairperson and other members of the Board shall be entitled to be paid such allowances and fees in such rates as the Minister may determine from time to time.

Allowances for members.

14. Subject to the provisions of this Act, the Board shall have power to regulate its own procedures in respect of the meetings and the proper conduct of its business including committee of the Board.

Procedures of meetings.

15.-(1) There shall be a Secretary to the Board to be appointed by the Board.

Secretary to the Board.

(2) The Secretary shall be a person with at least first degree of law specialized in the field of petroleum and experience of not less than five years in that field.

(3) The Secretary shall be accountable to the Board, and shall, specifically responsible to ensure that:

- (a) the accurate minutes of meetings of the Board are properly be taken;
- (b) the correct and sufficient records of the Board are properly maintained;
- (c) proper notification of the meetings of the Board given to the members;
- (d) he provides the correct advise to the Board when so needed; and
- (e) any other matter as the Board directs.

## SECOND SCHEDULE

(Made under section 114(1))

### ROYALTY AND PROFIT SHARE

1. A licence holder on behalf of itself and the Contractor shall discharge obligation to pay royalty out of gross production under the Act in respect of petroleum produced from the Contract Area, by delivering to the Government 12.5% for onshore/shelf areas and 7.5% for offshore of total crude oil/natural gas production prior to cost oil and or cost gas recovery at such royalty otherwise to be delivered to the Government in such manner as the Government may direct.

2. The Government's profit share in petroleum produced from the Contract Area shall be at the rate of not less than the rates specified in the tables below:

A. Rates for the Government Profit Share on Crude Oil:

i. For On shore and Shelf areas:

Daily Quantities of Crude Oil in barrels	Government Share in Percentage	Contractor Share in Percentage
0 - 12,499	50%	50%
12,500 - 24,999	55%	45%
25,000 - 49,999	60%	40%
50,000 - 99,999	65%	35%
100,000 – and above	70%	30%

ii. For Deep Off shore/ deep water areas:

Daily Quantities of Crude Oil in barrels	Government Share in Percentage	Contractor Share in Percentage
0 – 49,999	50%	50%
50,000 - 99,000	55%	45%
100,000 - 149,999	60%	40%
150,000 - 199,999	65%	35%
200,000 - and above	70%	30%

B. Rates for the Government Profit Share on Gas:

i. For On shore and Shelf areas:

Daily Quantities of Gas in MMSCFD	Government Share in Percentage	Contractor Share in Percentage
0 - 19.99	60%	40%
20 - 39.99	65%	35%
40 - 59.9	70%	30%
60 - 79.99	75%	25%
80 - and above	80%	20%

ii. For deep offshore:

Daily Quantities of Gas in MMSCFD	Government Share in Percentage	Contractor Share in Percentage
0 - 149.999	60%	40%
150 - 299.999	65%	35%
300 - 449.999	70%	30%
450 - 599.999	75%	25%
600 - 749.999	80%	20%
750 - and above	85%	15%

## OBJECT AND REASONS

This Bill proposes for enactment of the Oil and Gas (Upstream) Act, 2016. The need to have a specific Act to govern and administer Petroleum activities in Zanzibar is derived from the provisions of section 4 of the Petroleum Act, 2015 of Tanzania which requires that where such operations or activities are under taken within Tanzania Zanzibar be governed and administered by institutions in accordance with the laws of Tanzania Zanzibar.

The objective of this legislative enactment is to enable Zanzibar to govern and administer her Petroleum regime and operation. Prior to these proposals, there has been no reliable and effective legislation to regulate the upstream petroleum activities in Zanzibar. The upstream petroleum operations that the proposed enactment seeks to regulate include petroleum exploration, development and production.

The Bill is divided into eleven (XI) parts.

Part I provides for preliminary provisions including the name of the proposed legislation, its application and interpretation of words invariably used in the Bill.

Part II proposes for vesting in the Government, the entire property in and control over petroleum in its natural state. It clearly stipulates the institutional framework that administers the oil and gas industry in Zanzibar. In this regard, the Minister responsible for petroleum affairs is entrusted with supervisory and oversight functions in the upstream petroleum. In addition to that, the Minister is empowered to grant, renew, suspend or cancel any petroleum exploration or development license.

Part III, proposes for establishment of The Zanzibar Petroleum (Upstreaming) Regulatory Authority, its functions, responsibilities, establishment of the Board and composition of the Board. It also provides for the establishment of the Zanzibar Petroleum Development Company which will be registered under the Companies Act of Zanzibar as a private Company solely owned by the Government.

Part IV provides for upstream petroleum operations. It covers all matters relating to, or associating with upstream petroleum operations, including matters relating to management of petroleum areas and reconnaissance permits, petroleum rights, licenses and agreements. It contains salient provisions on exploration and



development licenses, matters relating to surrender, cancellation and suspension of licenses, information and documentation, as well as obligations of licensees and contractors, and matters relating to surface rights. It further provides for petroleum fiscal regime in which case matters relating to imposition of royalty on petroleum, annual fees, bonus payment, recovery of payment, security for compliance and payment of taxes.

Part V proposes for provisions relating to cessation of petroleum operations activities. It aims at ensuring that areas in which petroleum operations are undertaken are restored to their original condition after expiration of the period of time for which such activities were authorized to be undertaken. In this regard, this Part contains provisions relating to submission of updated decommissioning plan by the licensee to the Authority and the Company, establishment of decommissioning fund (a special fund into which monies are deposited by parties for purpose of facilitating the process of restoration of areas in which petroleum activities were authorized to be undertaken), notification of cessation of use, disposal of decommissioned facility, removal and sale of property, and takeover of facilities of the licensee by the Government

Part VI of the Bill provides for provisions relating to Occupational health and safety and environmental principles. It provides for comprehensive provisions that safeguard public health and safety in areas where petroleum infrastructure situates or petroleum operations activities are undertaken. In particular, it tends to protect the lives of people in such area. In that respect, it provides for aspects such as safety precautions, emergency preparedness, safety zones, suspension of petroleum activities and adoption of international standards and environment. It aims at ensuring that the environment in areas where petroleum activities are undertaken, are well preserved. This is due to the fact that petroleum, if not properly monitored, may cause excessive negative impacts to the environment. For those reasons, this Part makes provisions for compliance with environmental principles and imposes liabilities for non-compliances. It further contains provisions for combating petroleum leakage or petroleum spill.

Part VII deals with Local Content, Corporate Social Responsibility and Integrity Pledge. The objective is to stipulate how the Government can successful participate in the entire petroleum value chain including entrepreneurship, training and employment of Zanzibaris as well as technology transfer. It also seeks to ensure that the oil and gas industry benefits all Zanzibaris.

Part VIII provides for offences and penalties for any person who contravenes the provisions of this Bill. It also provides for the compounding of the offences by the Authority to the person who contravenes the provisions of this Act and admits in writing he committed the offence to pay to the Authority a fine prescribed for that offence.

Part IX deals with dispute settlement mechanism, whereby the Authority inquires and decides any dispute between a person engaged in exploration or development of petroleum operation to themselves or third parties.

Part X provides for transitional provisions that the Government shall not assume any obligations or responsibility in connection with prior contracts related to petroleum activities, and that is not a successor to such contracts. Furthermore, the Government shall not be responsible for a loan or other debt obligation incurred prior to the commencement of the Act.

Part XI deals with general provisions including use of a license as a security, conflict of interest, establishment of petroleum revenue fund and powers of the Minister to make regulations.

**{SALAMA ABOUD TALIB}**

*Minister for Lands, Housing, Water and Energy*

Zanzibar,  
..... day of May, 2016

