

**SPEECH BY HON. DANIEL N. YONA, M.P.,
MINISTER FOR ENERGY AND MINERALS
OF THE UNITED REPUBLIC OF TANZANIA,
DELIVERED AT THE LAUNCHING OF THE THIRD
TANZANIA OFFSHORE PETROLEUM EXPLORATION
LICENSING ROUND IN LONDON,
NOVEMBER 26TH, 2004**

Your Excellency the Tanzanian High Commissioner to the United Kingdom and Ambassador to Ireland,
Chief Executives and Exploration Managers of Oil Exploration Companies,
Distinguished geoscientists,
Invited guests,
Ladies and gentlemen:

It is with great pleasure that I stand before this distinguished gathering of members of the international petroleum industry, the geoscientific community and the media to welcome you all to the launching of the Third Tanzania Offshore Licensing Round.

This is an important occasion for me and my delegation. It represents yet another opportunity for us to try and convince

those of you who are yet to be persuaded that Tanzania is a worthy destination for investments in Deep Sea Oil Exploration.

Some of you may recall that the First Tanzania Offshore Licensing Round was launched in September, 2000 here in London, as well as in Houston. The Second Round was launched in Denver during the American Association of Petroleum Geologists (AAPG) Conference in June, 2001. As a result of these licensing rounds, in which twelve blocks of deep sea exploration acreage were presented, one was licensed out to Petrobras earlier this year, and four have been awarded to Shell.

During this Third Round, we are offering seven blocks. The geophysical data acquired in these blocks includes seismic, gravity and magnetic data whose interpretation will be presented during this seminar. The data was acquired in 1999 and 2000 as a result of surveys conducted by WesternGeco in partnership with the Tanzania Petroleum Development Corporation, TPDC.

The data is of good quality, and suggests the existence of thick stratigraphic sections and many structural possibilities in the areas covered. This bodes well for the existence of

hydrocarbons, based on data acquired from Tanzanian deep sea with an area of 140,000 square kilometers. Tanzania's offshore basin is one of the few frontier basins in the world with interesting indications and, from the data acquired, points to exciting possibilities for petroleum discoveries. You will have ample opportunity to reflect on these possibilities during and after the seminar. Before you do that, however, I would like to briefly explain why Tanzania deserves to be regarded as an attractive deep sea exploration investment destination.

One reason why Tanzania is attractive is that world oil demand is growing at a rate that is straining both production capacity and reserves. The record-high oil prices that we are witnessing today are unlikely to decline significantly in the near future. This is therefore an opportune time to explore for oil in one of the few remaining deep sea frontiers. As I have already pointed out, the indications are that Tanzania's deep sea is prospective.

Another reason is that Tanzania has a well-established legal and administrative framework within which petroleum exploration activities are carried out. Since our Petroleum

(Exploration and Production) Act was enacted in 1980, over US\$440 million has been invested in oil exploration by several oil companies, including Shell, Amoco, Agip and International Energy Development Corporation (IEDC). Their exploration activities have been carried out, mainly onshore, under Production Sharing Agreements whose key terms were negotiated taking into account the potential costs and risks associated with each contract area. This flexibility, which has been aimed at reasonably meeting the investment requirements of each exploration company, has more recently been applied in negotiating deep sea exploration agreements with Petrobras and Shell. In order to meet the specific investment needs for deep sea exploration even more comprehensively, the Government has reviewed the Petroleum Act and is currently preparing to table proposed amendments to the Act in Parliament.

Our experience in administering petroleum activities is not only limited to exploration. Only four months ago, in July, the Songo Songo Gas-to-Electricity Project began commercial operations under the first Development License issued under the Petroleum Act. This project is the result of exploration work carried out by Agip in the 1970s and 30 years of development

work by the Government, TPDC and various investors and development partners including the current major shareholders in the project, namely CDC Globeleq, FMO of the Netherlands, the World Bank and the European Investment Bank.

Yet another reason that makes Tanzania attractive is that we have an investor friendly business climate, characterized by political stability and tolerance (which has made Tanzania a refugee haven in the region); sound macroeconomic management, (which has over the past few years caused inflation to drop from 30% to 5% and economic growth to rise from virtually stagnant to 5.6% in 2003); as well as predictable fiscal regime, all underpinned by a firm commitment to the country's economic transformation that began in the mid-1980s. Evidence of this conducive business climate can be clearly seen in the mining sector where, for example, many of the key global players such as AnglogoldAshanti; Barrick Gold Corporation, DeBeers, Goldstream, Pangea Minerals, Placer Dome, Randgold Resources and Resolute are today active in mineral prospecting, development and production in Tanzania. They have invested over US\$1.4 billion since the mid-1990s in prospecting and the

development of five gold mines that are currently producing over one million ounces of gold per annum.

Last but by no means least, Tanzania has many interesting places to see during one's time off from the excitement of petroleum operations. A quarter of Tanzania's land surface is covered by game and forest reserves with abundant and diverse wildlife and flora. Tanzania is also the Roof of Africa, with the still snow-capped Kilimanjaro standing tall above the Masai Steppe, the Serengeti and of course Ngorogoro Crater or Noahs Ark as some people have called it, and then there are the spice islands of Zanzibar and Pemba with their rich history, and the hundreds of kilometers of pristine beaches on the isles as well as on the mainland. These are but a few of the attractions available to any one visiting or working in Tanzania today.

As you will be briefed during the presentations, our petroleum policy and the economic terms for oil exploration are competitive and, as I have already mentioned, flexible. I therefore take this opportunity to invite you to join us in the search for hydrocarbons so that we may all achieve our financial and economic objectives. The Government of Tanzania sees this

Third Offshore Licence Round as a major step forward in the history of Petroleum Exploration in our country. I believe that with a combination of good science, imagination and innovation, oil can be discovered where conventional wisdom may not urge us to look for it.

I thank you for finding time to attend this seminar and I hope you will have informative and fruitful discussions. I look forward to seeing you in Tanzania in the near future. You can be assured of a very warm welcome.

Finally, let me end by thanking TPDC, WesternGeco, Jebco, and Premier Oil for organizing this important event. It is my pleasure now to launch the third licencing round for the deep offshore basins of Tanzania.

I thank you all for your attention

D.N.Y.