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The politics of power and natural gas in Tanzania: How political settlement dynamics shapes deals in a 'new oil' country

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Abstract

While research suggests that the rise in global oil prices from 2004 to 2014 strengthens the bargaining position of new 'oil country' governments, this paper suggests that the structure of deals is also significantly influenced by domestic political dynamics. By analysing the development of the petroleum sector through three sets of deals in a new oil country, mainland Tanzania, it demonstrates how changes in domestic political and economic interests and institutions influence deals. First, greater control was exercised over rents generated from the petroleum sector as a moderate kind of resource nationalism emerged, driven by corruption scandals and intensified electoral competition. From 2010, resource nationalism became radicalised, enabled by major offshore gas finds and Chinese loan capital. However, when global oil prices crashed, the ruling coalition, which had since 2010 become both more vulnerable and more authoritarian, increasingly struggled to finance its plans to take increased control over the petroleum sector. At the same time, the oil and gas companies saw the terms of deals becoming more unpredictable and unstable. A complicating factor in this regard is the materiality of natural gas and its links to energy production, which opens the sector to a wider range of interest groups than oil per se, and created difficulties for the authorities in coordinating the development of the sector in the context of a shifting policy environment and weak institutions. In the paper we analyse three sets of deals for the commercialisation of natural gas, which cover much of Tanzania's recent petroleum history.

Keywords: petroleum, natural gas, deal making resource nationalism, political settlements, Tanzania

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Introduction

Recent research suggests that the rise in oil prices from 2004 to 2014 strengthened the bargaining positions of 'new oil' country governments in Africa in relation to the international oil companies (Kopiński, Polus and Tycholis, 2013; Bofin and Pedersen, 2019; Frynas, Wood and Hinks, 2017). However, it has also been found that the structure of deals and the development of a country's petroleum sector are shaped by its internal political dynamics. For instance, in an established producer country like Nigeria, the vested political and economic interests of state elites, individuals within the ruling party and domestic business elites have hampered efforts to reform the framework governing the country's petroleum sector, which in turn has led to the continuation of sub-optimal deals from the national point of view (Usman, 2018). In new oil countries, a similar interplay between price fluctuations, political dynamics and deals has been observed, but the outcomes appear less bleak (Hickey and Izama, 2016; Hickey and Izama, 2019; Pedersen, Jacob and Bofin 2020). Based on empirical reseach in mainland Tanzania, which is an early producer among 'new oil' countries, this paper develops this perspective further.

Tanzania already had gas projects under way prior to the oil boom, and it therefore has a history of production, unlike most other new oil countries in Africa. This allows us to analyse both the boom and bust effect of international oil price fluctuations and the changing political dynamics that influences deals. By systematically unpacking these political dynamics through a political settlement lens, the paper demonstrates significant changes in domestic political and economic interests and institutions over the period that first allowed greater control over rents generated by the petroleum sector, as a moderate kind of resource nationalism emerged in the late 2000s. However, when resource nationalism was radicalised, just as global oil prices crashed, the ruling politicians struggled to finance the realisation of their ideas for greater national ownership and control through the state. A complicating aspect in this regard is the materiality of the petroleum resource that was found in the country, namely natural gas, which, when found in small quantities, is a less easily tradeable commodity internationally than oil (Mitchell and Mitchell, 2014). This means that markets for natural gas have to be created domestically to a greater extent, involving a large number of actors and institutions, which in Tanzania's case were particularly to be found in the power sector.

The paper therefore combines a focus on the deals struck in Tanzania's petroleum sector over time with an adapted political settlement approach that can help unpack these political dynamics. A political settlement has been defined as a 'combination of power and institutions that is mutually compatible and also sustainable in terms of economic and political viability' (Khan, 2010: 4). In low-income countries with limited resources, the approach implies not only the study of the extent to which elite groups are included and excluded in the settlement, but also how the settlement is financed (Behuria, Buur and Gray, 2017). The framework employed here goes beyond the incentive-based reading of political behaviour and methodological nationalism that characterised early production sharing agreement (PSA) research. It thus includes a focus on the role of ideas and policy coalitions in shaping outcomes, which involves bilateral and multilateral donors, and international oil companies (IOCs) (see also Lavers and Hickey, 2016).

In the case of Tanzania, the paper identifies how shifting ideas about how to develop the petroleum sector, linked to growing factionalism within the ruling coalition, which was also being subjected to higher levels of competition from organised political actors beyond the ruling coalition, on the one hand influences how the ruling political elite seek to shape deals, while on the other hand puts a decisive strain on these efforts, given the lack of finance. The paper outlines the major deals that have materialised in Tanzania's petroleum sector so far and provides more in-depth analyses of three sets of deals that provide insights into these dynamics over Tanzania's recent petroleum history: 1) the 2004 Production Sharing Agreement for Mnazi Bay, which was among the early deals involving international oil companies and was realised with western donor support; 2) the National Natural Gas Infrastructure Project (NNGIP) for the Mtwara to Dar es Salaam natural gas pipeline, which was announced in 2012 with Chinese concessional finance and was a potential gamechanger for the utilisation of gas, by strengthening the hand of the national oil company, the Tanzanian Petroleum Development Corporation (TPDC); and 3) a potential fertiliser plant, which has been part of public plans since the 1980s and was given renewed impetus with major gas finds in the 2010s, but which has not materialised, due to a lack of financing.

With respect to deal making, Tanzania displays notable variation, starting with the promotion of foreign direct investment (FDI) in the 1990s and early 2000s pushed by a policy coalition of leading ruling-party politicians and international donors. This then changed to moderate resource nationalism in the mid- to late-2000s, aimed at controlling rents and maximising the economic benefits for Tanzania as a response to an increasingly competitive settlement, and ended with the radical resource nationalism of the 2010s, with its enhanced focus on increasing domestic ownership through state-owned enterprises as Tanzania moved towards a vulnerable authoritarian coalition (see also Pedersen, Jacob and Bofin, 2020). However, with global oil prices crashing from 2014 onwards, and an increasingly resource nationalist environment, the country struggled to mobilise the required resources to turn the latter vision into reality. This further exacerbated debt problems in the state-owned enterprise (SOE) segment of the sector, while at the same time undermining investor confidence in the stability of the deals that could be made in the country.

This working paper draws on several years of research into Tanzania's extractive sector by the three authors. An extensive review of the literature on Tanzania's political settlement and its extractive sectors was carried out prior to undertaking three phases of fieldwork in Tanzania: between April and May, and June and July, 2017, and finally in September 2018. We conducted around 40 semi-structured in-depth interviews with current and retired senior and junior officials from the national oil company, the Tanzania Petroleum Development Corporation (TPDC) and the Energy, Water and Utilities Regulatory Authority (EWURA), representatives of international oil companies doing business with the TPDC, policy-makers at the ministerial and legislative levels, representatives of various donor agencies involved in the capacity building of energy and extractive entities, private consultants, members of local and international NGOs, oil and gas industry experts and representatives of the Tanzanian private sector.

A particular form of process-tracing methodology has been applied, with an emphasis on creating a historical chronicle that enables an interrogation of the links between global oil prices, political settlement dynamics and specific episodes of deal-making (see George and Bennett, 2005: 205ff.). These analyses are situated in historical accounts of changes to the political settlement and in the petroleum sector itself. These accounts are based on interviews with employees or former employees of the firms involved and retired government officials, as well as document analysis. The latter draws mostly on statutory disclosures by the firms involved and related documents, such as statements of reserves, investor presentations, media coverage, and government documents and statements. The latter include government policy documents and reports on the petroleum and energy sectors, Model Production Sharing Agreements, and the few actual agreements that are available.

The paper first provides a brief review of how changes in global oil prices and Tanzania's political settlement, with special reference to the development of the petroleum and energy sectors, have historically influenced petroleum deals in the country. Each of the following sections provides a brief outline of political settlement dynamics and ideas, as well as of major changes in the legal and regulatory framework for each of the three time periods we cover, followed by a more in-depth analysis of the structure of a deal in the period. Thus, Section 2 presents an analysis of the aggregation of projects associated with the Mnazi Bay natural gas field; Section 3 examines the National Natural Gas Infrastructure Project (NNGIP) and Section 4 looks at ongoing efforts to develop a fertiliser plant using natural gas as the feedstock, before Section 5 concludes.

1. Background

The upstream oil and gas sector has long been peripheral to Tanzania's political settlement. The interplay of economic conditions and the changing ideological perspective of ruling elites in Tanzania has led to a succession of different approaches to oil governance. Oil imports in the 1980s strained the country's foreign reserves (Davison, Hurst and Mabro 1988). Becoming more self-reliant was both an economic imperative and an ideological preference of the dominant ruling party. Tanganyika African National Union (TANU), Chama Cha Mapinduzi's (CCM's) forerunner, had become the country's only party in 1965 and had embarked on a path to socialism and self-reliance enshrined in the Arusha Declaration of 1967, after which the party-state sought to fast-track development, by taking control of the economy through the widespread nationalisation of private and often foreign-owned, enterprises.

However, efforts to develop upstream production were hampered by a combination of geological risk, a lack of resources, and at times a mismatch between the party's ideological preferences and the global oil price environment. Tanzania's first gas discovery came in 1974, by Agip Tanzania, a company 50 percent owned by the TPDC (United Republic of Tanzania, 1970; Killagane, no date). But modest gas reserves are only viable with nearby markets, making the find unviable. The government initiated further surveys at Songo Songo, assisted by the Petroleum Directorate of Norway and financed by NORAD, and it also contracted the Oil and Natural Gas Commission of India (ONGC) to drill two wells, followed by further drilling in the 1980s, all of which confirmed significant quantities, but to no avail (World Bank, 1980; Davison et al., 1988).

These efforts to develop the petroleum sector were typical of the mixture of private and donor-supported activity at the time in Tanzania. Resistance to economic liberalisation within the ruling party was still strong, but under economic distress from a war with Uganda and failed socialist economic policies, the country increasingly sought to facilitate renewed exploration activities by the foreign oil companies that had the capital and technical capacity to do so. The Petroleum (Exploration and Production) Act of 1980 can be seen as an early liberalising reform, providing more security for investors by implementing comprehensive legal reforms and institutionalising the Production Sharing Agreements that had been introduced with the establishment of the TPDC. Finance and support for the reform came from the World Bank and the Commonwealth Secretariat (World Bank, 1980; Davison et al., 1988). Shell and a number of other foreign companies carried out seismic surveys and explorations, but with no major finds and with falling oil prices in the 1980s, the interest of international oil companies disappeared.

Instead, attention turned towards developing projects that could make the production of gas from the Songo Songo and Mnazi Bay finds viable. First, Tanzania had had ambitions to produce fertiliser from gas from Songo Songo since 1981. In that year, the government formed a partnership with the United States company, Agrico, to form the Kilwa Ammonia and Urea Company, or Kilamco, which was 51 percent owned by the state. The project never got off the ground, although the TPDC acquired land in the area in 1989 (Tanzanian Affairs, 2016), now earmarked once again for a fertiliser project. The Kilamco project reportedly collapsed, due to the TPDC's inability to raise equity finance and to an over-supply of fertiliser on the world market at that time (Tanzanian Affairs, 2016). The prevailing investment climate in Tanzania, with fears of nationalisation and an inability to repatriate profits, is also thought to have affected the project.

Political and commercial attention then focused on developing the Songo Songo and Mnazi Bay resources within gas-to-electricity projects. By then, the country had embarked on liberalisation, a process instigated through a deal with the IMF in 1986 after a freeze in donor funding (Lofchie, 2014). By then, the country's first president had resigned, and a more market-minded president, Mwinyi, had taken over the reins. In the petroleum sector, the departure of IOCs led to the introduction of a Model Production Sharing Agreement in 1989, revised in 1995 and 2004 with more favourable fiscal terms for investors and declining Tanzanian state co-ownership of operations (Pedersen and Bofin, 2019). In 1992, a National Energy Policy allowed private sector involvement in the production of electricity (Ghanadan, 2009; Gratwick, Ghanadan and Eberhard, 2006).

The early 1990s was a transition period that changed the composition of the ruling coalition in the political settlement and which also came to affect the deals that were made in the petroleum sector. The ruling CCM remained the ruling party, but the country's economic development model was undergoing transformation. Constitutional change allowed multiparty elections, while relations with donors, who had previously helped fund the ruling political elite's projects and ideas, worsened in the early 1990s. A major crisis erupted between the government, tired of the interference and conditionalities of donors, and the donors themselves, tired of delays in implementing the liberalising reforms, and of corruption. The majority of donors suspended aid disbursement in 1994.

Only after a process of mediation did an informal 'grand bargain' emerge in the mid-1990s, in which the government accepted progress in the implementation of reforms and donors accepted that they should apply a more hands-off approach in their dealings with domestic affairs, in order to increase Tanzanian ownership (Andersen, 2005; Lofchie, 2014). President Mkapa, who came to power in 1995, headed a more market-friendly political settlement between the CCM's leadership, international capital, domestic private sector operators, and a politicised bureaucracy (Sundstøl, 2018). With time, and under Mkapa's leadership, more emphasis was placed on coupling economic reforms with improved social services (Pedersen and Jacob, 2019a).

Whereas the 1992 Energy Policy had opened up to the private production and distribution of energy, reforms of the petroleum and power sectors remained only partial, partly because of ideological resistance within the party and bureaucracy, and partly due to struggles over the distribution of rents. This delayed the Songo Songo and Mnazi Bay gas-to-electricity projects that had been under way since the 1990s, but in 1995 they were overtaken by the signing of a Power Purchase Agreement (PPA) for emergency power with IPTL, a consortium of Malaysian and Tanzanian private capital that breached a government covenant with the World Bank and led the latter to suspend support for Songo Songo (Cooksey, 2017). IPTL was the first of a number of contracts which were known to have been corruptly awarded and which involved pay-offs to senior officials in the Ministry of Energy and Minerals, TANESCO and the Attorney General's office (Cooksey, 2002).

The delay meant that the Songo Songo project only began production in 2004. It was the first of its kind and, due to Tanzania's status as a non-petroleum producer and the IOC perception of it as an investment risk as a consequence, the gas-to-electricity projects required a great deal of innovation in terms of contracts and partnership models, in order to materialise. Initially, approaches were made by a minor explorer, the Canadian company Ocelot (later to trade as PanAfrican Energy Tanzania Ltd [PAE]), which in 1995 formed a joint venture for a gas-to-electricity project involving TransCanada Pipelines, with the Tanzania Electricity Supply Company (TANESCO) and TPDC representing the Tanzanian state (Gratwick et al., 2006). The mix of mostly concessional finance from a number of western donors and private and public companies led to the creation of extremely complex financing and management structures, involving over 20 contracts to underpin the signing of the final PSA and Power Purchasing Agreement (PPA) (Bofin and Pedersen, 2017).

The promotion of FDI was a priority for President Mkapa, but, as should be clear, the coupling of the power and petroleum sectors that was necessary to develop Tanzania's gas resources productively complicated deals, as did the simultaneous reform of both sectors. At the end of the 1990s, when privatisation was gaining momentum, TANESCO was among the entities to be privatised (Eberhard et al., 2016). In 1999, a power sector reform programme, itself part of a World Bank privatisation credit from the same year, pointed to the importance of unbundling and privatising TANESCO as a response to its poor performance. On the other hand, it did help that the next gas-to-electricity project at Mnazi Bay had a much simpler structure than the Songo Songo project. The dynamics of political, geological and market risks, combined with the workings of Tanzania's political settlement, and shifting ideological preferences, would significantly influence the deals that shape Tanzania's petroleum sector today.

2. Mnazi Bay: From FDI facilitation to the derailing of FDI-controlled projects

The 2003 Agreement of Intent and the PSA signed the following year for Mnazi Bay natural gas field and associated projects benefited from there being a president from Mtwara with a view to his personal legacy and an ideological environment that encouraged foreign capital and allowed private sector participation. However, coming at the end of President Mkapa's administration, the project was shaped by strategic concerns, electoral priorities and a failure to follow through on reform commitments. The project was ambitious. Starting with proposals for a vertically integrated and privately owned power grid for Mtwara and Lindi, it also envisaged feeding the national grid, fertiliser production and exports of compressed natural gas. Yet, within five years, these projects came to nought in the face of electoral pressures, competing interest groups in the energy sector, ideological changes, and the onset of the global economic recession.

2.1 Contracting

Mnazi Bay is an onshore and nearshore field on the Msimbati peninsula in southeast Tanzania, located approximately 25km south-east of Mtwara town. Natural gas was first discovered there by AGIP/ENI in 1982, but production was not deemed viable for the small Tanzanian market, and the well and the field itself were abandoned by AGIP, which also relinquished the licence (RPS Energy, 2015). A similar fate had hit the Songo Songo gas field, where gas had been found in 1974, but which only began production 30 years later. Mnazi Bay was also slated for development in the 1990s. A privately owned vertical gas-to-power project was first proposed in the 1990s, influenced by the World Bank's reform priorities, though by 1994. field development was being deemed technically unfeasible (United Republic of Tanzania, 1994). The block was licensed to Tullow Oil in the same year, although no development took place (Gratwick et al., 2007).

It took the formation of a coalition of partners involving donor finance, the Artumas Group, a small Canadian oil company with the backing of the TPDC, and a president from the region to make the project take off in 2003. Prior to production, the Mtwara and Lindi Regions in Tanzania's southeast were powered by three mini-grids run by generators in Masasi, Mtwara and Lindi towns. It was dirty energy, produced by TANESCO: 'typical at the time – generator in a shed, no money for maintenance, constant blackouts'.[1] Shortages of cash impacted on maintenance, compounded by fuel supply challenges. Consequently, expensive electricity, at US$0.42/kWh, was only available half the time (Gratwick et al., 2007). By 2003, when Artumas proposed the Mtwara Energy Project (MEP) – a privately run, vertically integrated gas–to-power project – Tanzania was open to private sector involvement in the power sector. The Ministry of Energy and Minerals had identified natural gas as the next least-cost alternative to hydropower in 1991 and sought investments to develop the finds. By 2003, the Songas power project, powered by Songo Songo gas, was just one year from starting generation.

That same year, an Agreement of Intent was signed by the government of Tanzania, the TPDC and Artumas to develop the project. Its components were to be development of the gas field, construction of well tie-in infrastructure, a pipeline, and a power generation plant. The final component was to be a distribution and transmission system linking the existing three mini-grids in the Mtwara and Lindi Regions (RPS Energy, 2015). Equity financing for the project was to be provided by Artumas and the Netherlands Development Finance Company (FMO), the latter's contribution being linked to improving access to electricity for people in the region. Debt financing was to be provided by the Emerging Africa Infrastructure Fund, a public-private partnership. Finally, the electricity distribution component of the project was expected to be provided through a subsidy from the Rural Energy Agency (REA), a Tanzanian government agency (Artumas, 2005).

The project had the support of the then President, Benjamin William Mkapa. Originally from Masasi in the Mtwara Region, he was keen to see the MEP go ahead. 'It wouldn't have happened without him', according to one interviewee close to the project.[2] Artumas participants recall some friction during the negotiations and suspected interests in the Ministry of Energy and Minerals and TANESCO of wanting to block the project. In particular, the then permanent secretary at the Ministry of Energy and Minerals is recalled as not favouring the project, though he was obliged to go ahead, due to pressure from the president. From 1995 to 2002, first as commissioner for energy and later as permanent secretary, he had fought against the conclusion of a Power Purchase Agreement with IPTL.

[1] Private sector interviewee A, 30 May 2018.
[2] Private sector interviewee B, 8 June 2018.

The senior civil service was not against private sector involvement in power generation and had in fact supported the Songas project, but would have been wary of the political risks of private investments in the power sector being negotiated by the permanent secretary's colleagues. The deal was negotiated by Artumas and a government negotiating team that drew people from the Ministry of Energy and Minerals, the TPDC, and the Attorney General's Office. Technical advice was provided to the government side by the American law firm, Hunton and Williams, in whose Richmond, Virginia office some of the negotiations took place. One participant recalls that the team members had a mandate to negotiate, but not to sign off any decisions on behalf of their office. By mid-2004, a Production Sharing Agreement had been signed between the government of Tanzania, Artumas Group and Partners (Gas) Ltd., and the TPDC. This was based on the Model Production Sharing Agreement of 2004, adapted for natural gas (RPS Energy, 2015).

The PSA, though only dealing with upstream issues, depended on the power project, which was the basis of the Agreement of Intent signed in 2003, getting off the ground. Manitoba Hydro was brought in to develop the power generation, transmission and distribution elements of the project, while Artumas focused on upstream development (Albee, Samji and Nsa-Kaisi, 2009). In addition, a working group was established, involving Artumas, TANESCO, and the TPDC, to explore commercialisation options. Over the course of 2004 and 2005, three options for the further commercialisation of Mnazi Bay's natural gas were proposed: exports of CNG to Kenya; power generation for the national grid; and a fertiliser plant. However, in 2005, the presidency shifted from Mkapa to Kikwete, and resistance within the government towards the private control of such projects began to materialise in various ways. As outlined below, none of the projects has yet come to pass, a fact that ultimately led to the demise of Artumas.

2.2 The return of resource nationalism

Establishing a power generation, transmission and distribution system for the Mtwara and Lindi regions was a condition of acquiring the right to develop the natural gas field in Mnazi Bay. It would have been a ground-breaking project, which, had it transpired, might have paved the way for the break-up and privatisation of TANESCO. However, a combination of factors derailed the projects, namely factionalism within CCM and related corruption scandals, the re-emergence of resource nationalism and ideas of the state playing a bigger role in the economy, and electoral priorities that changed the priorities for ruling politicians and bureaucrats.

Hazel Gray (2015) describes power as being split between party factions within the ruling party over this period, from the 1990s to President Kikwete's administration. The relatively equal distribution of power across factions and the limited space for accountability that resulted undermined the functioning of the public administration and political leadership on which power projects in particular depended. After the first multi-party national elections in 1995, the later President Kikwete and later Prime Minister Lowassa and other young CCM leaders formed a faction that came to be known as the Mtandao ('Network') to prepare for presidential elections after Mkapa (Tsubura, 2017). Mtandao had close connections with domestic private businessmen, which helped them access resources to mobilise support, both within and outside the party. Whereas this brought Kikwete to power in the elections of 2005, it also came to undermine the more private business-friendly part of the party.

A shift in thinking on the energy sector could already be observed, as power transitioned from the pro-market Mkapa to the more pragmatic Kikwete. Attempts to reform TANESCO were strongest under President Benjamin Mkapa. In 2002, the South African firm, Netgroup Solutions, had been given a contract to manage TANESCO, with a view to splitting it up and preparing it for privatisation. Netgroup Solutions was broadly successful in this, seeing considerable increases in revenue: in the two years to May 2004, revenue doubled to $22 million. Yet the quality of the generation, transmission and distribution network did not improve, and government contracts with the independent power producers, IPTL and Songas, introduced new liabilities (Gratwick, Ghanadan and Eberhard, 2007). Against donor advice, TANESCO was taken off the list for privatisation following the election of President Kikwete in 2005, and the management contract was not renewed in 2006, leading Netgroup Solutions to threaten legal action, though it did not follow through on this (Kapika and Eberhard, 2013).

The controversies around the power sector received a further impetus with another corruption scandal. The Richmond emergency power purchase contract of 2006 – an agreement with a US-registered briefcase company to provide an emergency power supply – led to the resignation of the cabinet in 2008. It had been favoured by Prime Minister Edward Lowassa, who had to resign, initiating a political process that ultimately saw Lowassa lead the opposition camp in the 2015 presidential elections. IPTL, Richmond and spill-overs from debates about the more mature mining sector, where allegations of dubious contracts and unfair deals with foreign investors flourished, presented the CCM elite with an existential problem (Sundstøl 2018; Gray, 2015).

Opposition parties were increasingly mobilising around feelings that Tanzania was not getting enough out of its extractive resources, and discontent within the CCM was also brewing (Tsubura, 2017; Jacob and Pedersen, 2018). These events pushed the ruling party to rethink the role of the state in the economy. In the mining sector, this led to a process of reviewing the terms of mining contracts and to proposals to increase state participation and taxation that were embodied in the 2010 Mining Act (Jacob et al., 2016). In the economically less important petroleum sector, changes were more gradual, with the institutionalisation of competitive bidding for exploration licences from around 2008, which reduced the risk of corruption from directly awarded licences, and a new PSA with higher state stakes and increased taxation (Pedersen and Bofin, 2019).

In these early years, resource nationalism was generally moderate and aimed at controlling the rents generated by private, often foreign, investors and maximising revenues derived from extractive projects, more than at changing ownership

(Pedersen et al., 2020). Overall, the scandals, changing ideas and upcoming elections of 2010 led the CCM to embark on a process of internal reform, aimed at reducing the influence of private businessmen and money, as well as rethinking the country's economic development model towards involving a greater role for the state in driving the economy, embodied in the reintroduction of five-year development plans in 2011 (United Republic of Tanzania, 2011).

2.3 Powering Mtwara

The factionalism within the CCM and the re-emergence of resource nationalism also came to influence and derail the original Mtwara Energy Project proposed in 2003. Establishing a power generation, transmission and distribution system for the Mtwara and Lindi regions was a condition of acquiring the right to develop the natural gas field in Mnazi Bay. It would have been a ground-breaking project, which, had it transpired, might have paved the way for the break-up and privatisation of TANESCO. The Mtwara Energy Project was to be one of its first cases of increased private sector involvement in the energy sector. The policy and institutional arrangements appeared to be in Artumas's favour. There was political commitment too: apart from the president's backing, the CCM's manifesto for the 2005 election made a specific commitment to the electrification of Mtwara and Lindi. Yet it came at a time when the government's stance on TANESCO's future was shifting, due to internal priorities and a number of major corruption scandals that undermined support for private sector involvement in the power sector. In the short run, it might have meant lower prices, but the ever debt-ridden TANESCO had struggled with maintenance and continuing blackouts.

The first power in Mtwara was generated on Christmas Eve 2006, as part of a project that was planned to generate power for Mtwara town alone up to August 2008, before expansion to other southern regions. Also in 2006, the TPDC took up the 20 percent reversion provided for in the PSA, electing to participate in development and production, a cost it expected to recover fully by the end of 2018. The initial production network feeding a 12MW power plant was fully up and running by March 2007 and was governed by an interim power purchase agreement running until August 2008.

In 2008, Artumas applied to the Energy and Water Utilities Regulatory Authority (EWURA) for transmission and generation licences, as well as a tariff plan allowing full cost recovery. EWURA had been established by law in 2001 to oversee the development of different sectors, including electricity production, following the privatisation reforms, and it became operational in 2006. By then, however, the attitude towards the role private sector actors were to play was shifting within the government. Whereas the Electricity Act of 2008 signalled a move towards the liberalisation of electricity markets, by enabling private sector participation in generation, transmission and distribution, it also took a tougher stance on the private sector, by stressing that transmission lines should provide non-discriminatory access to transmission (United Republic of Tanzania, 2008). This should not have affected the Mnazi Bay project, because it had long been under way, but EWURA did not feel bound by any previous agreements.

Whereas there was headline support for the project from State House – President Kikwete visited the site that year – no licence materialised. More fundamentally, the project's development, like its ultimate failure, ran parallel to the Richmond power-generating scandal mentioned above, which had cooled attitudes towards the private sector. According to a former EWURA official, EWURA had no objection in principle to the project, but it did object to a tariff of 23 cents/KWH, as opposed to the existing rate of about 11 cents/KWH for the interim purchase agreement. A Tariff Equalisation Fund (TEF), financed by the government of Tanzania, had been proposed for to cover the difference for three years, until a critical mass of connections had been made. EWURA considered three years to be ambitiously short, and presumably it feared being locked into a commitment to the TEF for much longer. Whether because of flawed budgets (EWURA's claim) or delays due to EWURA's involvement (Artumas' claim), the debacle led to the withdrawal of Dutch grant aid for the project and Artumas's collapse. After prolonged negotiations, TANESCO ended up buying the Mtwara power plant in 2012 (Eberhard et al., 2016).

In 2006, TANESCO was forced by the then Prime Minister, Edward Lowassa, into an emergency Power Purchase Agreement with Richmond, a briefcase company registered in the United States, with no experience in this sector or any other (Cooksey and Kelsall, 2011).[3] The slow revelation of the scandal between 2006 and 2008 led to the resignation of the prime minister and his cabinet (Cooksey, 2017). Also in 2008, rights to the Mnazi Bay North exploration block were awarded to Hydrotanz Ltd, a company that shared an address with Pan African Power Ltd, a firm founded in 2008 that ultimately bought out IPTL, in one of Tanzania's greatest ever corruption scandals (Bofin, 2017; Cooksey, no date; Gray, 2015).

Politically, these scandals placed considerable popular pressure on the CCM and the bureaucracy. Hydrotanz's licence was issued as part of the last direct award of licences in the petroleum sector. Competitive bidding rounds in the upstream sector were subsequently institutionalised, and no major IPPs have materialised downstream. However, combined with the global financial crisis, they eventually broke the first phase of Mnazi Bay. By April 2009, in the face of a financial crisis, Artumas was applying for support from the government of Tanzania, just months before the farm-in by Maurel et Prom and the creation of Artumas's successor entity, Wentworth Resources (Mwamunyange, 2009). Ambitions to develop Compressed natural gas (CNG) for export, a fertiliser plant and a 300MW power plant to supply the national grid all eventually came to nought on either side of 2008. Electoral calculations, the collapse in financial markets and resurgent resource nationalism would see Mnazi Bay continue its very low levels of production, until 2012 and the commissioning of the National Natural Gas Infrastructure Project.

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[3] Unofficial versions of the parliamentary Commission of Inquiry are available online, such as the blog of State House photographer Issam Michuzi: https://issamichuzi.blogspot.com/2008/02/ripoti-ya-mwakyembe.html

3. The radicalisation of resource nationalism and the National Natural Gas Infrastructure Project (NNGIP)

NNGIP is the state's largest ever investment in the petroleum sector, at $1.2 bn, with 95 percent of the finance coming in the form of a loan from the China Export Import Bank, held by the TPDC (TPDC, 2015). This initiative was driven by a sense of urgency, due to power shortages, but also reflects ideological shifts within Tanzania's political settlement towards resource nationalism, which, as outlined above, were well under way in the late 2000s, but which became radicalised in the 2010s. The project owes its existence to the strategic shift towards the state's domination of power generation and the focus on natural gas as the feedstock for development and industrialisation. The pipeline project materialised over a short period of time in 2011-12, but the vision of the government's ownership of key mid- and downstream infrastructure was institutionalised in the National Natural Gas Policy, which was finalised in 2013, and the Petroleum Act of 2015 (United Republic of Tanzania, 2013, United Republic of Tanzania, 2015). The government and SOEs did not want another PPP like Songas, which they severely disliked.

The shift in thinking in the CCM and the government was influenced by major offshore gas finds from 2010 onwards, amidst sky-rocketing global oil prices, which contributed to rising expectations of major revenues that could help develop the economy. The pipeline would also allow domestic utilisation of the major offshore deep-sea finds by the oil majors for purposes of power production and industrialisation. The change from the previous situation can be illustrated by Tanzania's national energy policy. Whereas from 2003, before the onset of the commodity supercycle, the former energy policy focused on developing 'limited resources', in order to reduce fuel imports, which by then were consuming 26 percent of national export earnings, the Energy Policy of 2015 had changed the focus to developing the significant amount of natural gas that had been found, including managing petroleum revenues to promote the 'domestic use of petroleum resource to accelerate socio-economic transformation'. This included the objective to 'enhance State and public participation in developing petroleum infrastructure' (United Republic of Tanzania, 2003: 22; United Republic of Tanzania, 2015a).

However, it was also driven by electoral competition, whereby the ruling CCM's margin of victory in the presidential elections declined from 68 percent in 2005 to 36 percent in 2010, meaning that it could no longer take its power for granted (Paget, 2017: 159; see also Pedersen et al., 2020, which we draw on in these paragraphs). It was increasingly being realised that the coalition with domestic businessmen, who had helped finance the party in the past two decades, had turned into a liability. After the 2010 elections, the party therefore embarked on a reform process famously known as '*Kujivua gamba'* ('skin shedding'), which aimed to bring the leadership of the party closer to the people by having the members of its National Executive Committee elected at the district level and by taking action against corrupt leaders (Msekwa, 2017a, 2017b; Tsubura, 2017). The process marked an agenda for a clearer separation of economic and political power, which was only implemented gradually in the coming years. Intensifying electoral competition was a signal of the increased strength of lower-level factions as a voting bloc, a move which forced the government to resort to resource nationalist and at times populist measures (Jacob and Pedersen, 2018; Pedersen and Jacob, 2019b).

The changes in the gas sector in the early phase of resource nationalism had focused on increasing both the fiscal take from gas and the government's share of ownership in new projects. As resource nationalism became more radical in this second phase, it touched on the ownership of existing projects as well. By 2012, intervention by parliament had led to efforts to renegotiate the contract with PanAfrican Energy in the Songo Songo project (Bofin and Pedersen, 2017). Whereas these renegotiations were eventually shelved, the agenda of increasing Tanzanian ownership of, and benefits from, the sector continued. A new MPSA from 2013 upheld the 25 percent government ownership rule introduced in the 2008 MPSA, but, against the advice of both sector experts and TPDC insiders, its taxation schedule was toughened to such an extent that Tanzania became uncompetitive in attracting IOC investments. Indeed, no new agreements have been made under the new MPSA.[4]

Politically, the advent of Chinese capital and the expectation of major revenues from offshore gas allowed the elite to pursue the ownership of infrastructure by state-owned enterprises, a model that had not found support from Western donors.[5] The project thereby reflected the shift in thinking that became clear with the re-emergence of five-year development plans in 2011, the first of which envisaged a greater role for the state in driving the economy and, as part of this, a recapitalisation of SOEs in the extractive sectors (United Republic of Tanzania, 2011). Industrialisation was the agenda of the day, and it received a further impetus with the second development plan of 2016 (United Republic of Tanzania, 2016).

3.1 The NNGIP project

According to the TPDC, NNGIP was born of previous failed attempts either to expand the processing and transit capacity of Songas, or to construct a pipeline from Mtwara. Until 2011, there had been various proposals for increasing gas production and utilisation from the Songo Songo and Mnazi Bay gas fields. There was a demand to increase the supply of natural gas to Dar es Salaam, and in 2007 a Songas pipeline increased the capacity of Songo Songo from 70 mmscfd to 110 mmscfd, though this was not enough to meet demand. At about the same time, Artumas proposed a power plant of at least 300 MW, but this fell through, Artumas having failed to attract the financing (Artumas, 2007; Albee et al., 2009). In 2010, Rak Gas conducted a pre-feasibility study for a pipeline from Mtwara to Mombasa. Parallel to this, the East African Community conducted a feasibility study for an extension of the Songas pipeline from Dar es Salaam to Mombasa (EWURA, 2010). None of these projects materialised.

[4] Interview with former TPDC officer, 28 September 2018.
[5] Interviews with former and current government officials, 21 August 2015, and 28 September 2018.

Politically, the CCM remained committed to developing a significant power project in Mtwara, promising a 300 MW plant in its manifesto for 2010-15. Whereas initially this did not rule out private participation, by September 2011 this had changed. Financing for a natural gas pipeline from Mtwara to Dar es Salaam from China's Exim Bank was announced that month, the debt to be held by the TPDC. The following month, State House announced an agreement with China's Exim Bank to finance a 300 MW plant, which involved the German firm Siemens in a partnership with TANESCO. Only one of these projects was to come to fruition, and it ended up being the pipeline. By July 2012, construction contracts had been signed and work was officially started in November of that year.

The agreement signed with the Export-Import Bank of China in September 2012 was for US$1,225,000,000, to be repaid over 33 years at 2 percent per annum. The loan was conditional: prior to finalising the loan agreement, contracts were signed with Chinese companies for construction (Aid Data, undated). The lead contractor was the China Petroleum Pipeline Bureau (CPPB), a subsidiary of the China National Pipeline Corporation (CNPC), a state-owned integrated energy company. The TPDC is the contract holder on behalf of the state (Engineering News, 2015). Its markets are TANESCO for power generation, industrial clients along the route, and limited home use, in Dar es Salaam, and in towns along the pipeline route. Tie-in valves will allow future supply from finds at Ntorya and Mkuranga, as well as domestic supply from deep-sea fields in the future.

The cost of the project has been questioned. Since its completion, it has been identified by the National Audit Office (NAO) as being a potentially existential risk to the TPDC, NNGIP's owner and holder of the debt (NAO, 2018). Opposition politicians have alleged corruption and charged that the project costs have been grossly inflated, though they have presented no detailed evidence of either accusation (Kaminyoge, 2014). This was echoed to us by one private sector informant. On technical grounds, the NNGIP can be criticised for having too much capacity. Planned capacity is 784 mmcfd, or 1,002 mmcfd if a compressor is used (TPDC, 2015). Yet total forecast production of onshore and nearshore gas and the domestic market obligation regarding existing deep-sea reserves will only reach 500 mmcfd by 2023, according to BG Tanzania (BG Tanzania, 2014). In the shorter term, if undeveloped finds such as Mkuranga and Ntorya come onstream and planned increases in production take place in Songo Songo, Mnazi Bay and Kiliwani North, then feedstock for the gas pipeline will only reach 297.2 mmcfd.[6] Considerable new gas finds, and the economic capacity to absorb them domestically, would be required for the pipeline to reach capacity. Nevertheless, plans for its expansion are already in place. In July 2018, the TPDC called for expressions of interest for a feasibility study to construct a pipeline from Dar es Salaam to Tanga, and on to Uganda.

[6] Authors' calculations.

It may be justified to refer to the project as a 'white elephant', as one informant did.[7] The project raises a number of issues that are central to the management of the petroleum sector. Its genesis indicates a long-term vision, combined with a lack of long-term planning in how the resource should be developed. Economic rents in the project would be found within either the upfront investment or future revenue streams. Rents from the latter are found in the sales agreements between the TPDC and TANESCO (the principal off-taker), using a pricing schedule governed by EWURA and flows arising from that, and to be enjoyed by the TPDC. However, according to the NAO, the TPDC is facing 'financial distress', due to its arrears. Between September 2015, when the TPDC and TANESCO entered into a GSA, and December 2017, TANESCO had only settled 56 percent of invoices of almost $255 million over those 15 months. Failure to repay the loan would lead to an increase in the interest rate of 0.8 percent and the transfer of the TPDC's rights under the GSA to Exim Bank.

3.2 Impact on gas production and utilisation

Whereas the viability of the NNGIP can be questioned, it was a game-changer for Wentworth Resources and its operational partner at Mnazi Bay, Maurel et Prom. It also made possible new sales of gas to industries along the pipeline that could not depend on TANESCO's unreliable supply of power. However, the government's radicalisation of resource nationalism remains a challenge for these private companies. In this section, the implications for both gas producers and industry will be analysed, using the cement producer Dangote Industries as an example.

Maurel et Prom and Wentworth were well placed when the project was announced in 2012. By September 2014, before the work had been completed, a Gas Sales Agreement (GSA) was in place. By August 2015, the first gas was being delivered, the pipeline having been completed, and a sales guarantee of sorts existed. The terms of the GSA are remarkably generous to Wentworth and Maurel et Prom. They include a take or pay clause set at 80 mmscfd, meaning that, even when the TPDC is unable to take any natural gas, it has to pay for at least that amount.

Yet the producers are not yet benefiting from this clause. Officially, the pipeline is still in its 'testing and commissioning' phase, and a commercial operations date has yet to be determined. In the first quarter of 2019, production was just under 80 mmscfd. Production partners have been unwilling to increase production until the commercial operations date has been agreed. There have been talks to reduce the take or pay clause in return for increased production, but no agreement has been reached.

The case of Dangote Industries' efforts to ensure a power supply for its Mtwara cement plant illustrates the systemic problems of poor coordination, limited administrative capacity in sectors that are developing fast, and an inability to honour deals, due to changes in government, and its ideological priorities. During the Kikwete presidency, close patronage-based networks developed between political and business elites, a

[7] Private sector interviewee A, 30 May 2018.

move which saw a number of what can be described as closed ordered deals[8] offered to business elites, including Dangote. As Jacob (2020: 339) put it, Aliko Dangote was promised various generous incentives by the previous Kikwete government to encourage him to set up the largest cement factory in the country. This included a promise to get natural gas at a discounted rate. The arrival of Magufuli saw a move towards disordered deal making and resource nationalism, which left many investors and deals signed with the previous government vulnerable (Jacob and Pedersen, 2018; Pedersen and Jacob, 2019b; Bofin and Pedersen, 2019).

In October 2016, Dangote Industries complained about TPDC's failure to supply natural gas to its Mtwara cement factory, as well as the ban on coal imports, which it claimed had seen the price of coal rise considerably and its quality fall. The ban on imports impacted Dangote and other cement producers (Jacob, 2019). This led to consultations, by Dangote Tanzania, and much disagreement, with the involvement of a range of government bodies under the ministry. The main issues was the gas price, to be determined by the Energy and Water Utilities Regulatory Authority (EWURA), but ultimately a highly politicised decision.

By late November 2016, Dangote Industries had suspended production, ostensibly for technical reasons, though it was widely considered to be a protest at a public dispute over the gas price between itself, the ministry and the TPDC. Yet a price could only be agreed if the regulations were ignored. The Natural Gas Pricing Regulations had only been finalised by EWURA in October 2016, though a supply price was not agreed with Dangote until August 2018. A summit between Aliko Dangote and President Magufuli in December 2016 seemingly brought about a resolution, with commitments being given to have a natural gas deal agreed by January 2017. After the meeting, President Magufuli blamed the delay on corrupt officials trying to set up a gas-to-power deal with a Mauritius-registered company called Aqua Power, which would then supply Dangote. In his joint press conference with Dangote, President Magufuli referred to middlemen, whom he accused of interfering in the process, and warned Dangote to stay away from them and engage directly with the state, reflecting a change in deal-making between the state and investors (Nipashe, 2016). By March, the president's intervention was again needed, and in Aliko Dangote's presence he promised that a natural gas deal would be struck within a week. He warned Mr Dangote against dealing with firms such as Aqua Power and to deal only with the TPDC directly (Simu.TV, 2016). He also ordered the minister to ensure that Dangote would be allocated land for a coal mine at Ngaka, the site of Tancoal's Ngaka project. Both promises were fulfilled on time. By the deadlines, Dangote Industries had been allocated part of the Tancoal tenements, and a deal to supply natural gas had been agreed with the TPDC. Only in the first half of 2019, however, was the project finally being driven by natural gas.

Mnazi Bay and the NNGIP thus illustrate key themes in the development of Tanzania's petroleum sector, with the deal-making processes around each project directly shaped

[8] Closed ordered deals are those limited to certain open elite groups and, once negotiated, they tend to be honoured. See Pritchett, Sen and Werker (2018) for more information.

by shifts in the domestic configuration of power, as well as global economic trends around project financing and viability. Both projects have received presidential backing across three administrations, but the ideological nature of this support has changed over time and has not always been executed through the bureaucracy. The lack of consistency has held back progress in both projects. For example, the 300 MW power project is now back on the table as a state-backed project, following an earlier incarnation as a joint venture between private and public interests, and having originally been a wholly private venture under Artumas. The current uncertainties over the terms of the PSA and the GSA present a level of uncertainty on the commercial side that our political settlements approach might not adequately address. The changing political and administrative approach to the sector can be traced in outline (Pedersen and Bofin, 2019), but needs to be balanced by an understanding of the risk profile of international finance, and management decisions at the project level. Both can be seen starkly on occasion, as in 2008. There were hints in that year of concerns about the management's navigation of the domestic situation. Yet discerning a balance between these factors at a time of rising demand for natural gas, balanced by an aggressive stance on the part of the state, is less easy.

4. Kilwa fertiliser project: Radical resource nationalism and the limits to centralised decision-making

The Kilwa fertiliser project emerged in 2013 with oil prices at their peak and as resource nationalism had become radicalised in Tanzania. As mentioned above, the production of fertiliser by the state had been pursued in the 1980s, but it turned out to be unviable. In the late 2000s, proposals to privatise fertiliser production had been floated, the most serious one being made by Wentworth Resources, which approached President Kikwete about developing a fertiliser project in Mtwara. However, 'They had one meeting, but after that the doors were shut. We don't know who blocked us, but soon after, the TPDC tender [for a fertiliser project] came out',[9] in another effort to deepen the state's role in natural resource development. Despite receiving further support from President Magufuli from 2015, the project has yet to materialise, not least as this tilt towards a more radical form of resource nationalism at this point coincided with plummeting global oil prices from 2014 onwards.

At first glance, the prospects for getting the project going were not bad, despite the changing price environment. President Magufuli had a reputation as an implementor, and under his reign, Tanzania, though still ruled by a dominant political party, was moving towards a vulnerable but authoritarian coalition, with more power concentrated in the presidency. Magufuli did not have a strong network in the party and only began building his own more nationalist and authoritarian coalition after his ascent to power, putting greater emphasis on shifting rents from foreign private companies primarily to the state and state entities (Jacob and Pedersen, 2018). This was cemented by three Acts restating the country's sovereignty over extractive resources in 2017.

[9] Private sector interviewee B, 8 June 2018.

Subsequently, contracts have been renegotiated for some mining concessions, and petroleum sector contracts have also come under the spotlight (Pedersen et al., 2020).

The managing consortium faced two hurdles – pricing, and project coordination on the state side. In the current Tanzanian context, producing fertiliser is relatively expensive. Fertiliser is usually produced from the associated gas produced alongside high-value oil production. In Tanzania, gas itself is the main product. Therefore, the production of fertiliser in the country would likely have to be subsidised by the state. With the production of gas from the offshore deep sea finds significantly delayed, however, the state does not have the revenues required to undertake such a venture. The central issue is setting the gas price, and thereby creating a market. If the gas used for fertiliser production was residual gas, this would not be an issue. Residual gas, which comes from oil production, is effectively free. With Tanzania's fields producing natural gas only, the producer must be paid at the well-head, while transportation costs must also be covered, such as a pipeline tariff. The TPDC acts as the country's natural gas aggregator, buying gas from producers at approximately $3 per mmbtu.

In October 2016, the Natural Gas Pricing Regulations were published, decided by EWURA. These established a natural gas reference price of $2.60 per mmbtu, onto which were to be added factors based on the urea price globally and a premium for TPDC participation[10] (United Republic of Tanzania, 2016). By October 2017, a price had been agreed with the Ministry of Energy and Minerals, and the project had been registered with the Tanzania Investment Centre. Negotiations took place with the Ministry, rather than the TPDC, as 'the TPDC would not do anything without the approval of the Ministry'.[11] Yet, by November 2017, the price had still not been approved by the TPDC board. By March 2018, it was overturned.

The secondary blockage identified by the consortium is poor coordination between ministries, departments and agencies. For price, this is significant. A lower than cost price would require a subsidy to the TPDC from the Ministry of Finance. With the original price now overturned, we can assume that this has not been forthcoming. The lack of coordination can also be seen at the strategic level. In 2017, with the price agreed, the Ministry of Agriculture awarded a bulk procurement contract for fertiliser to the OCP Group of Morocco, at a time when the OCP Group was considering investment in fertiliser production in Tanzania, a project it had discussed with the Ferrostaal-led consortium.

[10] Private sector interviewee C, 3 August 2016.
[11] Private sector interviewee C, November 2017.

Under President Magufuli, a tendency has emerged for State House to involve itself in strategic investments at key points. This, in turn, has encouraged a sovereign approach to investments, with diplomatic representation becoming more common, 'opening doors', in the words of one participant.[12] Neither development has managed to break the logjam in the case of the fertiliser factory, though diplomatic representations continue, and there is a new target of 2021 for starting construction. Similar intervention in the LNG investment has achieved only marginal gains. In 2016, it broke the logjam over the acquisition of land for the project. In 2018, it probably helped win bilateral negotiation rights for Equinor and a commitment to complete HGA negotiations by September 2019, a deadline that has already been missed.

5. Conclusion

It has been found that rising global oil prices under the oil price boom (2004-14) strengthened the bargaining position of 'new oil' countries in Africa vis-à-vis international oil companies. By analysing political dynamics in mainland Tanzania through a political settlement lens, this paper demonstrates how changes in domestic political interests and ideas also significantly influenced the structure of deals, both during and after this boom. Due to the materiality of gas, the future of the natural gas sector will depend on the Tanzanian state's capacity to create and manage markets with private sector investors. This requires coordination among state institutions, which has proved challenging in Tanzania, where changing political settlement dynamics and ideological shifts have altered the priorities of key decision-makers in the sector over time. Over the period analysed in this paper, shifts from FDI and private sector facilitation involving western donor finance under President Mkapa have shifted to controlling rents and maximising the benefits of resources under President Kikwete. Catalysed by the ruling coalition's growing electoral vulnerability, this moderately resource-nationalist approach to resource governance later gave way to a more radical resource nationalism under President Kikwete's second term and then under President Magufuli, with a greater emphasis being placed on the state ownership of key resources and infrastructure.

Each of the projects examined here has been affected by significant delays, as policy priorities have shifted and a new political elite challenges the nature of previous deals. For at least 15 years, the state has been unable to stabilise institutions with a clear balance of power and responsibility between them, a problem exacerbated by the increasing role played by the presidency in the oil sector (Sundstøl, 2018; Pedersen and Bofin, 2019).

Our analyses of deals highlights the fact that, in this context of centralised decision-making over issues of regulatory coordination, an unwillingness to take decisions that imply long-term commitments and an increasing taste for state involvement in the sector have complicated deal-making between the state and investors. Part of the background to these case studies has been the corruption that has influenced the

[12] Diplomatic community interviewee, 16 November 2017.

development of the energy sector for more than 20 years. Increased electoral competition and the strengthening of low-level factions in the 2000s, when opposition parties mobilised over shady contracts in the extractive and power sectors, led the ruling party to attempt first to reshape the political settlement, by reducing the influence of money on politics, and then to shift the economic development model towards one with greater state involvement. Over the same period, the influence of traditional donors and FDI has also declined.

The underlying political economy, particularly as applied to energy, the ruling party and the administration, is thus likely to have made a significant contribution to poor inter-agency coordination and the willingness to take decisions. Officials' ability to collaborate across the public sector, as well as with the private sector, is likely to be limited when they know that covert interests, particularly in politics and the public administration, are having an undue influence on the sector. It is this context that we must bear in mind, as we look to explain how a political settlement may be affected by petroleum rents and may affect their management. Yet understanding the scale, exact locus and viability of these rents cannot be built on an approach that focuses solely on understanding the changing political dynamics: it also needs to factor in the wider global economic, financial and environmental impacts of a project, as well as the management decisions of private companies. Such dynamics were difficult to ignore in the global crash of 2008 and the oil price collapse of 2014.

This is relevant, as Tanzania will be seeking to attract new upstream investment if the East African Crude Oil Pipeline (EACOP) goes ahead. The crude oil export pipeline stretching from the oilfields of Uganda across northern Tanzania to the coast at Tanga will make the exploration blocks in north and northwest Tanzania considerably less risky. Probably more important, however, and justifying the focus of this paper, are the country's current ambitions for midstream and downstream investments in LNG and power generation. Minister for Energy, Medard Kalemani, set out the most detailed timelines for such investments, when he presented his budget for 2020-21 (Ministry of Energy, 2020). These included the completion of Host Government Agreements for both an LNG plant and EACOP, and the construction of a state-owned 300MW power plant in Mtwara. Fertiliser was not included and is now apparently off the agenda.

On the other hand, midstream natural gas investments, like the completion of upstream investments for LNG power and fertiliser, are dependent on international capital for upstream investment. The inscribing of instability into legislation through the so-called Natural Wealth and Resources Contracts (the Review and Renegotiation of Unconscionable Terms Act 2017, which allows for the review of natural resources contracts) and the parallel use of ad hoc methods, such as an ongoing review of PSAs in the Attorney General's Office, are all deterring the necessary new investments.

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