



# REPOA Brief

## Governing LNG Development in Tanzania: Institutional Evolution, Governance Constraints, and Strategic Reform Priorities

By EnergyCards & REPOA

### Key Messages

Tanzania's ability to realise the benefits of liquefied natural gas development is constrained less by gaps in law or policy than by institutional arrangements that are not well aligned with execution demands for LNG megaprojects.

Governance challenges facing the Tanzania LNG project are the product of historical path dependence, accumulated institutional roles, and coordination deficits that were not addressed by post-2015 legal reforms.

Strategic LNG -related reform should prioritise institutional consolidation, adaptive capability, and coordination before introducing new legislation or project-specific legal instruments.

### Introduction

Liquefied natural gas (LNG) development represents the most consequential and complex phase in Tanzania's petroleum sector to date. With more than 57 trillion cubic feet of natural gas discovered offshore, Tanzania holds the geological potential to become a significant LNG exporter and to leverage gas revenues for long-term economic transformation. Yet, more than a decade after the confirmation of deep-offshore gas discoveries, the LNG project has not reached a final investment decision, even as several countries with comparable or later discoveries have advanced their projects. This prolonged delay has generated growing concern regarding the country's readiness to govern an LNG megaproject that is capital-intensive, long-cycle, and deeply embedded in global energy markets.

The challenges facing Tanzania's LNG development cannot be understood solely through the lenses of geology, investor appetite, or market volatility. Rather, they reflect how Tanzania's petroleum governance system has evolved over time in response to earlier policy objectives and institutional capacities. Governance arrangements were initially shaped to manage upstream exploration and, later, relatively contained gas-to-power projects that involved limited integration, shorter timelines, and lower exposure to international market risk. While these arrangements were adequate for previous phases of sector development, they were not designed to manage the scale, complexity, and coordination demands associated with LNG export projects that span multiple decades and regulatory domains.

Over the past decade, Tanzania has undertaken substantial legal and institutional reforms to strengthen state oversight and align petroleum governance with international standards. These reforms have enhanced formal architecture and clarified roles on paper. However, experience to date suggests that institutional evolution has been largely incremental, with new structures layered onto existing ones without fully resolving accumulated role overlaps, coordination weaknesses, or capacity mismatches. As LNG negotiations progressed, these limitations became increasingly visible, manifesting in slow decision-making, extended negotiations, and uncertainty over institutional authority and sequencing.

This policy brief distils these governance dynamics into a concise and decision-oriented analysis for policymakers, regulators, and development partners. Its purpose is to explain how the historical trajectory of petroleum governance has shaped current LNG readiness, to identify the structural constraints that continue to impede progress, and to highlight reform priorities that address governance capability rather than solely legal form. By focusing on institutional evolution and functionality, the brief seeks to support policy choices that strengthen coordination, adaptability, and credibility—conditions that are essential for Tanzania to translate its natural gas endowment into sustainable and inclusive development outcomes.

## Methodology and Data

This policy brief is based on a qualitative, policy-oriented research methodology to examine the governance and management of liquefied natural gas (LNG) development in Tanzania. The research was conducted between March and August 2024 and focused on locations central to LNG policymaking, regulation, and project implementation. Primary data collection took place in Dar es Salaam and Dodoma, which host most petroleum sector policy, regulatory, and fiscal institutions, as well as in Lindi and Mtwara, the regions designated for LNG infrastructure development and most directly affected by the project.

The research design is qualitative and interpretive, suitable for investigating institutional readiness, regulatory alignment, policy credibility, and governance effectiveness—issues that are not readily quantifiable. Rather than forecasting LNG market outcomes or modelling project economics, the study assesses whether Tanzania's existing policy, legal, and institutional frameworks can support the timely, credible, and development-enhancing implementation of an LNG megaproject.

The analysis is guided by an institutional political economy lens, which emphasises the role of institutions, incentives, power relations, and historical legacies in shaping governance outcomes. LNG development is therefore treated primarily as a governance challenge rather than a technical or engineering exercise.

The study combines a systematic review of documentary and legal sources—including legislation, policies, regulations, contracts, and official government reports—with stakeholder-informed qualitative inquiry. Primary data were collected through questionnaires, key informant interviews, and field engagement. A total of 40 questionnaires were administered across government institutions, regulatory bodies, state-owned enterprises, private sector actors, development partners, academia, civil society organisations, and local communities, of which 38 completed questionnaires were returned and analysed. In addition, 38 key informant interviews were conducted with experienced practitioners and officials directly engaged in LNG-related governance.

Complementary comparative analysis of selected LNG-producing countries was undertaken to extract transferable governance principles rather than prescribe policy replication. Together, these methods provide a robust foundation for evaluating Tanzania's LNG governance readiness and informing practical policy reform.

## Findings

### Governance Constraints Are Structural Rather Than Legal

Analysis reveals that Tanzania's LNG challenge is not primarily the result of gaps in laws or formal policy frameworks, but rather of structural governance constraints embedded in institutional practice. Over the past decade, Tanzania has enacted modern petroleum legislation, established specialised regulatory bodies, and articulated strategic objectives for natural gas and LNG development. However, international evidence shows that legal reforms alone are insufficient where institutional coordination, enforcement capacity, and credibility are weak (North, Wallis and Weingast, 2009; Dixit, 2009).

The study finds that governance inadequacy in Tanzania is systemic and mutually reinforcing. Fragmented mandates, weak inter institutional coordination, and limited enforcement capacity have generated cumulative delays and inconsistent policy signals, even in the presence of robust laws. This confirms broader resource governance findings that institutional effectiveness, rather than legal abundance, determines project outcomes in complex extractive investments (Mehlum, Moene and Torvik, 2006).

### Institutional Evolution Has Not Kept Pace with LNG Complexity

Tanzania's petroleum governance framework developed initially to manage upstream exploration, and later gas-to-power projects that were relatively contained in scope, market exposure, and duration. LNG projects, by contrast, integrate upstream production, midstream processing, export infrastructure, global marketing, and long-term fiscal management, thereby placing far greater demands on state capability (Tordo, Tracy and Arfaa, 2011).

Analysis further shows that institutional reform since 2015 has been largely incremental. New institutions were added, but underlying operating logics and coordination practices remained rooted in upstream petroleum governance. This reflects a well-documented challenge in public sector reform, whereby institutional forms evolve faster than institutional function (Andrews, Pritchett and Woolcock, 2017). As a result, Tanzania has struggled to transition from policy intent to executable LNG project decisions.

## Regulatory and Commercial Capacity Remains Uneven

LNG governance requires advanced expertise in project finance, cost recovery auditing, long-term contract management, and integrated infrastructure regulation—competencies that differ markedly from those required for conventional upstream petroleum oversight (Dixit, 2009; Tordo et al., 2013).

The analysis indicates that Tanzania's regulatory institutions were not originally designed or resourced to perform LNG-specific economic regulation. This capacity gap has constrained their ability to interrogate complex commercial proposals and manage information asymmetries between the state and international energy companies. Similarly, the National Oil Company faces tension between aspirations for state participation and limited financial capacity. International experience shows that poorly sequenced or under-capitalised state participation can expose governments to significant fiscal and governance risks (Tordo, Tracy and Arfaa, 2011).

## Policy Incoherence and Slow Market Responsiveness

There is persistent policy incoherence between domestic development priorities and the commercial requirements of LNG exports. Policies emphasising domestic gas utilisation, affordability, and industrialisation coexist with export ambitions without clearly articulating trade-offs, pricing principles, or sequencing. This misalignment transfers uncertainty to investors and regulators, weakening competitiveness in globally contested LNG markets (Rodrik, 2008; World Bank, 2016).

In addition, legal and administrative rigidity has reduced Tanzania's market responsiveness, limiting the system's ability to adapt to evolving LNG market structures, contract models, and demand uncertainty linked to the energy transition (IEA, 2023). Such rigidity has contributed to prolonged negotiations and reduced Tanzania's relative attractiveness as an LNG investment destination.

## Transparency, Institutional Learning, and Trust Are Underdeveloped

Finally, LNG-related information has been highly centralised, limiting learning and preparedness across implementing and oversight institutions. While confidentiality is necessary in commercial negotiations, excessive opacity undermines institutional coordination and accountability (McBarnet, Whelan and Donovan, 1991).

Moreover, learning has remained largely individual rather than institutional, reducing the state's ability to accumulate LNG-specific capability over time. Policy research consistently shows that weak institutional learning undermines long-term governance performance in complex projects (Ostrom, 1990; Andrews, Pritchett and Woolcock, 2017). Public expectations, meanwhile, have risen faster than delivery, eroding trust among citizens and investors alike. Without deliberate mechanisms for transparency, learning, and credible communication, governance credibility might be undermined over the LNG project lifecycle.

## Conclusion

The evolution of Tanzania's petroleum governance framework reflects genuine learning and political commitment to resource sovereignty. Each reform phase responded rationally to prevailing challenges and capacities. However, LNG development represents a structural discontinuity rather than a continuation of past petroleum activities. This policy brief demonstrates that governance arrangements shaped for exploration and gas-to-power projects are ill-suited to the demands of LNG export development without deliberate institutional adaptation.

The core lesson is that governance performance depends not only on the presence of laws and institutions, but on their alignment with the complexity of the task they are required to manage. Tanzania's LNG delays are therefore best understood as the outcome of institutional path dependence and incomplete adaptive reform, rather than policy failure or investor reluctance per se.

## Policy Recommendations

Four recommendations are offered to address the challenges in governance architecture:

**First**, policy reform should begin by recognising LNG development as a distinct governance challenge rather than an extension of upstream petroleum production. Before introducing new legislation or project-specific LNG laws, government should prioritise institutional consolidation and coordination, ensuring that existing entities operate as a coherent system rather than in parallel.

**Second**, TPDC's historically accumulated roles should be recalibrated to reflect the fiscal and risk characteristics of LNG participation, with clear boundaries between commercial exposure and regulatory oversight. This requires disciplined state participation aligned with financial capacity rather than symbolic equity acquisition.

**Third**, institutional learning should be treated as a strategic investment. LNG-specific expertise in economics, contract management, and lifecycle regulation must be embedded within public institutions rather than externalised to ad hoc advisory processes. Without internalisation of knowledge, institutional capacity will not accumulate over time.

**Fourth**, policy sequencing matters. Strengthening coordination, capability, and clarity should precede ambitious legal or contractual innovation. Treating LNG as a governance transition rather than an upstream milestone will improve credibility, reduce delay, and increase the likelihood that Tanzania's gas resources translate into sustainable national development.

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