Extraction of Natural Resources: Is it fuelling of human rights abuses in the exploration and exploitation of oil and gas in Tanzania?

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Abstract

This article examines the relationship between business practices in the extraction of oil and gas and human rights in Tanzania. The United Nations Guiding Principles on Business and Human Rights requires a state to protect against human rights abuses by third parties that includes business enterprises, through appropriate policies, regulations and adjudication. The guidelines also emphasize on corporate responsibility to protect human rights, which means that business enterprises should act in due diligence to avoid infringing on the rights of others and address adverse impacts with which they are involved. There must be greater access by victims to effective remedy, both judicial and non-judicial. The March 2013 demonstrations in Mtwara and Lindi Regions are case studies that demonstrate the need for policy which reflects the guidelines so as to protect the human rights of all.

Introduction

This article argues that the absence of a legal framework for the regulation of the extraction of oil and gas in Tanzania, which reflects the United Nations (U.N.) Guiding Principles on Business and Human Rights (guiding principles), shall result in future gross human rights abuses against the people living in the areas where the oil and gas industry operates. In many parts of the world today the extraction of natural resources has triggered and/or fuelled gross human rights violations. A problem cited in a number of case studies on the subject have suggested that countries with plentiful natural resources experience lower economic growth and higher rates of serious human rights abuses as compared to other countries with no such

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resources (Wenar, 2008; Haber and Menaldo, 2011; Cotet and Tsui, 2013). Wantchekon (2012) surveyed 141 countries over a forty year period and found that a 1% increase in natural resource dependence (which is measured by the ratio of primary exports to gross domestic product (GDP)) increased the likelihood of having an authoritarian government by 8%. An example that supports this assumption would be the continued civil war in the Democratic Republic of the Congo (DRC) where millions of people have lost their lives, had their properties destroyed, women and girls have been raped, and hundreds of thousands displaced. The DRC has vast reserves of minerals, one of them; Coltan has created lucrative business opportunities for the warring factions in the country. Therefore, there is a direct correlation between abundance of natural resources, civil war, and poor governance. Scholars have termed this relationship “resource curse” (also known as the paradox of plenty) (Auyt, 1990; Gelb, 1988; Sachs and Warner, 1995, 1999; Gylfason et al, 1999).

Oil and gas exploration in Tanzania began in the 1970s with discoveries made in the Island of Songo Songo in Lindi region. Other discoveries were made in the south-east regions in the Ruvuma Basin. As of 2010, the projections for natural gas discoveries showed that Tanzania had reserves amounting to 43 trillion cubic feet. The government, through its petroleum agency, the Tanzania Petroleum Development Corporation (TPDC) has already concluded twenty-five production sharing agreements (PSAs) with eighteen foreign companies to conduct oil exploration onshore and offshore (PWYP, 2011). These discoveries have made Tanzania a major country of interest for foreign investors seeking new opportunities in the oil and gas industry. Foreign multinational companies involved in the exploration are mainly from the United States and the United Kingdom. They include British Gas International (BG), ExxonMobil Corporation, Ophir Energy plc, Statoil, a Norwegian company and Petrobasis a Brazilian company.

In March 2013, violence erupted in the Mtwara and Lindi regions. It was reported that the violence was trigged by the speech in Parliament from the Minister for Energy and Minerals Sospeter Muhongo that emphasized the government’s will to continue the construction of the Mtwara-Dar es Salaam gas pipeline (The Citizen Newspaper, 2013). The pipeline is expected to supply energy to the city of Dar es Salaam. The grievances of the residents of Mtwara and Lindi are centered on the premise that they will not benefit from natural gas discoveries and continue living in poverty. The southern region of Tanzania, since independence, has been a region that has been ignored. It
is prudent to recall what happened to this region in the 1940s and 1950s during the colonial period when the colonial British government established the “groundnut scheme”. The scheme’s objective was to grow peanuts as a contribution to both the Tanganyika and the British economies and to alleviate a world shortage of fats. The scheme was, however, abandoned three years after its inception because of ill planning and the failure to engage local residents in the project. Indeed, the project’s quagmire was not only attributed to British imperial and colonial policy, but also that the “project” had nothing to do with the people living in the area (Wood, 1950). According to the white paper, “[t]he most important long-term advantage of the scheme from the African point of view would be that the project would provide an ocular demonstration of the benefits of modern agricultural methods” (H.M.S.O, 1947, p.6f). The introduction of this scheme, according to the British colonial masters, was to convince the Africans to give up their “hopeless” backward ways and adopt modern ways of farming. The colonial peanut scheme could be, for comparative purposes, examined in the same context with the current natural gas exploration because of its perceived benefits to local communities.

Turning back to the gas discoveries in southern Tanzania, to assure Mtwara and Lindi citizens, Minister Muhongo in his speech highlighted that about 3.0 percent of the charges from the sale of natural gas will remain in the region, hence there will be benefits for social services, such as healthcare and schools and also the youth in this region will receive vocational training in gas and oil in order to enable them to be hired and participate as a skilled workforce. The Mtwara-Dar es Salaam gas pipeline is funded through a low interest rate loan of US$ 1.1 billion from the Chinese government (Aid Data, 2012). The pessimism that Tanzanian citizens display is not alien. It is informed by past experiences, where natural resources have benefitted the few – the political elite and their families in Dar es Salaam and the foreign investors they support.

The primary argument that this article is advancing is that the oil and gas policy, known as, the National Natural Gas Policy of Tanzania, 2013 does not address all the nuances that would guarantee the respect of human rights in the oil and gas industry in Tanzania. An oil and gas policy that reflects the U.N. guiding principles on business and human rights could help balance the interests of all the interested parties; the citizens, government and foreign investors, so as to minimize the possibility of violating human rights of all. The secondary argument is that the “resource curse” thesis is not a curse that
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befalls poor countries because of their abundant resources, but rather the “curse” is the failing to establish policies and institutions that would safeguard the interests of all stakeholders.

Henceforth, this article proceeds in three sections. Section two analyzes the importance of observing human rights standards in the extraction of oil and gas in Tanzania. This section explains how the observance of human rights standards in the industry correlates with good governance and democracy. Section three examines the U.N. guiding principles and their impact in preventing and/or eliminating human rights abuses in the oil and gas industry in Tanzania. This section also examines the Tanzania Petroleum Act, 2015 in order to analyze whether it, together with other laws, could help to prevent potential human rights violations in Tanzania. Section four examines two case studies of Norway and Nigeria and how these two countries support and/or contradict the “resource curse” thesis and examines their observance of human rights standards in their oil industry. Section five provides concluding remarks and lessons that Tanzania can learn from Norway and Nigeria.

Human rights and the extraction of oil and gas

Human rights could be defined as those basic standards of treatment to which all people are entitled, regardless of their nationality, race, gender, economic status, sexual orientation or religion (Donnelly, 2013). The impact of human rights in regulating relationships between the rulers and the people simply demands that the peoples’ basic rights must not be infringed upon, that is, one, they should not be killed or arrested arbitrarily; two, their property should be protected; and three, they should be provided with fair trials, and that no claim on authority in a territory should be asserted by either abusing or neglecting them under the pretext of sovereignty (ICCPR, 1966). Experiences from other countries that are cited herein below show that the non-existence of a human rights legal regime for the extraction of natural resources is a recipe for human rights violations. It is, therefore, the State’s obligation to make sure that all businesses engaging in the extraction of natural resources within its territory respect human rights through their operations. This is the context in which human rights questions arise and should be understood.

Issues of cooperate irresponsibility as a result of non-observance of human rights standards have become the major problem with oil and gas extraction worldwide. In 1993, for example, a Philadelphia law firm filed a $1.5 billion
representative suit against Texaco Inc. It was alleged that the company’s oil operations in Oriente, Ecuador “endangered the lives of tens of thousands of people” (Hvalkoff, 2001) and resulted to serious illnesses, water contamination and ecological destruction (Watts, 2004). In South Sudan before the country seceded from Sudan, oil was cited as fuelling the war, which resulted in human rights violations. The UN special rapporteur, Gerhart Baum’s 2003 report on Sudan, which was based on interviews of internally displaced people from Upper Nile in Khartoum and in Southern Sudan noted:

[t]hat oil exploration continued to cause widespread displacement and access to the area remains extremely difficult ...[there is] strong belief that the right to development cannot justify the disregard of other human rights. The Special Rapporteur believes that oil exploitation is closely linked to the conflict ... is mainly a war for the control of resources and, thus, power. Bearing in mind the adverse impact of oil exploitation on the human rights situation in the oilfields, as well as considering the human rights-related social and economic implications deriving from oil exploitation, including the use of oil revenues, are part and parcel of his mandate (United Nations, 2002).

On the same vein, irresponsible governments, which do not have strong institutions for accountability also, fuel human rights abuses. A good example is Nigeria. Successive governments in that country have misappropriated the oil wealth with leaders stashing money in foreign banks instead of investing in education, health care and other social services. As discussed earlier in this article, citizen’s complaints over the extraction of gas in southern Tanzania are precisely the fear that the natural resources will not benefit them to the extent they should.

The U.N. guidelines were drafted out of the realization that corporations are important actors both nationally and internationally in facilitating the enjoyment of human rights. Globalization has made these non-actors (corporations) to feature prominently in the human rights agenda. Corporate actors must be accountable for their activities on human rights. With this in mind, the U.N. guidelines recognize that (a) States’ have existing obligations to respect, protect and fulfil human rights and fundamental freedoms; (b) the role of business enterprises as specialized organs of society performing specialized functions, are required to comply with all applicable laws and to respect human rights; (c) the need for rights and obligations to be matched to
appropriate and effective remedies when breached (U.N. guidelines, 2011). The three stated principles are significant since they recognize that the protection and respect of human rights is supreme, even with regard to business enterprises.

The U.N. guidelines are explicit in their foundational principles. First, States are obligated to protect against human rights abuse within their jurisdictions. Any legal regime set up by a state to protect against human rights must guarantee that human rights abuses are prevented, investigated, and punished. Clear remedies must be provided under policies, legislation, regulations and adjudication. Second, States must clearly state their expectations to businesses abode their jurisdictions, emphasizing that they must observe human rights in all their operations (Guidelines, 2011, clause 1).

The U.S. Supreme Court case of *Kiobel v. Royal Dutch Petroleum* (2013) is instructive on the issue regarding enforcement of human rights. The petitioners in this case sought civil damages for alleged human rights violations, including killings, torture, unlawful detention, deprivation of property and forced exile by the Nigerian government. The other respondent was the Shell Petroleum Development Company of Nigeria Ltd. The petitioners sought these damages under the Alien Tort Statute (ATS), 28 U.S.C. § 1350. The U.S. Supreme Court affirmed the lower court’s decision and held that under the ATS there is no presumption of extraterritoriality since the cause of action arose in Nigeria. Although, the petitioners in this case were unsuccessful in seeking damages, this case illuminates the fact that if they would have been successful in persuading the court of the extraterritorial nature of the ATS, they could have been awarded damages. There was surmountable evidence that the petitioners suffered damages. The point here is that human rights violations occurring in any State may attract the exercise of universal jurisdiction, allowing courts to prosecute individuals and corporations for human rights violations. As explained above, this is in fact true in the context of the American jurisprudence.

The U.N. guidelines provide that governments are not permitted to relinquish their oversight obligations in the pretext that business is a private entity. But also, business cannot relinquish its human rights responsibilities because the state has abdicated its responsibility and obligations. The responsibilities of businesses, according to the U.N. guidelines are threefold: (1) their causing adverse impacts; (2) their contributing to adverse impacts;
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(3) their adverse impacts that are linked to the business through its relationship with third parties. The contributing factor here is human rights violations. What is significant is the remediate impact. Corporations must be able to provide a remedy to a human rights violation. The remedies include apologies, rehabilitation, restitution, compensation, punitive sanctions (including court sanctions) and observing injunctions and/or guaranteeing non-repetition of a human rights violation (Principles Nos. 16 and 17).

The Tanzania oil and natural gas legal regime and human rights
This section focuses its discussion on the Tanzania Petroleum Act, 2015 (PA 2015) and analyzes its provisions from a human rights perspective. That is to say, whether PA 2015 embeds the necessary regulations and protections as specified under the U.N. guidelines discussed above. While the oil and gas legal regime in Tanzania includes other legislation, such as the Companies Act, 2002, Land Act, 1999, Land Registration Act (Cap. 334), The Oil and Gas Revenue Management Act, 2015, Energy and Water Resources Act (Cap 414), Environmental Management Act (Cap. 191), Mining Act, 2010, Occupational Health and Safety Act, 2003, the Fair Competition Act, 2003, just to mention a few, the analysis of the PA 2015 is intentional since it is the law that was created to govern oil exploration in Tanzania.

It is prudent to provide a brief background on the oil and gas legal regime in Tanzania. Prior to PA 2015, the energy sector in Tanzania was governed under two legal regimes: (1) The Petroleum Exploration and Production Act of 1980 (PEPA) and (2) the Petroleum Act of 2008 (PA 2008). PEPA mainly governed matters relating to upstream petroleum as it related to oil and gas and PA 2008 governed downstream matters. Tanzania has yet to have a legal regime governing midstream activities. This article submits that there is a need to have separate legislation that regulates the gas industry in Tanzania. However, the Government of Tanzania has chosen to include the same in the Petroleum Act 2015.

It is a reasonable conclusion to hold that PA 2015 does not include any provision relating to human rights protections or remedies thereof. What the statute does is provide general provisions relating to the administration of petroleum activities in Tanzania (Part 1 of PA 2015). It is imperative that PA 2015 address human rights protections because of the risks associated with the exploration and exploitation of extractives. Situations that may raise human rights issues are many. They may involve, for example, detaining or threatening members of surrounding communities, perhaps because of
trespassing. This action may violate the peoples’ right to freedom of movement, right to health, right to life etc. Permits may be legally granted by State authorities to build pipelines in the surrounding communities. The route where the pipelines go through may have disturbed the eco-system by displacing sources of water resulting to drying up these sources. Families, therefore, may be forced to walk long distances to fetch water. The right to water and sanitation, and the right to an adequate standard of living are fundamental human rights. These two abstract situations, show why it is important to have legislation that protects and safeguards individuals’ human rights. The issue, therefore, is how could legislation that embodies human rights protection in the oil and gas in Tanzania embody?

This article proposes that the law should address the following issues, (i) the extreme risks involved in the extraction of oil and gas, (ii) the causal factors that contributes to human rights violations in the extraction of oil and gas, (iii) due diligence required to be observed by stakeholders and (iv) provide provisions that adequately address and provide remedies for harms caused or contributed by a stakeholder. These issues contribute to providing corporate responsibility, which is demanded in the U.N. Business and Human Rights Guiding Principles. In the paragraphs below, the article explains the reasons why the legislation should include the above issues.

Risks involved in the extractive industry
The oil and gas industry is an important enabler supporting development through providing energy and revenue to a State. The industry can contribute to the promotion of social justice by reducing poverty, by utilizing revenue to pay for quality social services derived from the extractives, and through the realization of human rights norms, civil, political and economic, social and cultural. There are, however, risks associated with the violations of human rights. The risks impact the community and the oil and gas companies. Some of these risks include, lawsuits, lost opportunities to the companies in generating more revenue, operational delays and reputational damage. Therefore oil and gas companies must assess and manage human rights risks vis-à-vis the impact of their business activities. The State also has a role to play. It has the duty to protect its citizens from human rights abuses and ensure that remedies are available for victims of corporate human rights abuses. The Guide to Human Rights Impact Assessment and Management (HRIAM), 2010 provides a seven stage guideline on how to assess, manage and mitigate risks relating to human rights as a result of business initiatives. First, businesses ought to be prepared to determine its approach to human
rights due diligence and the scope of the business’s human rights impact assessment. Second, the business ought to identify key human rights risks and impacts so that it can set the baseline. Third, the business ought to engage with stakeholders to verify the human rights and impacts so that a grievance mechanism is developed for the purposes of responding to human rights issues. Fourth, businesses ought to assess human rights impacts and analyze the assessment findings. Fifth, businesses ought to develop mitigation action plans and recommendations that should be presented to management. Sixth, the business’s management must implement the mitigation action plans and recommendation and ensure that they are integrated within a human rights framework. Seventh, businesses ought to evaluate and monitor reports on its human rights compliance by reviewing and evaluating actions and make appropriate adjustments.

Causal factors
As shown above, the observance of human rights is greatly influenced by policies, processes and practices, which are shaped by the business. Therefore, in order to prevent human rights abuses in the oil and gas industry, policies must enshrine norms that address a whole range of human rights issues that must be linked to the operations of businesses in this sector of the economy. Undemocratic governments that do not observe the rule of law also contribute to causal factors that bring about non-observance of human rights norms. In this situation, corruption, crime and conflict become the norm. This has a negative impact in addressing any human rights violations that may occur in the extraction of oil and gas in that particular State. As discussed above, there is a positive correlation between authoritative regimes, civil war and bad policies that do not reflect human rights standards. These variables, contribute to the resource curse. In order to mitigate the resource curse it is imperative that the underlying causal factors discussed in section 3.1 are addressed. Addressing the causal factors (root causes) for human rights violations guarantees respect for human rights and corporate responsibility. Companies like British Petroleum (BP) operationalised human rights issues in their business practices. This resulted to what the company called an “integrated” approach in how to do business. Three key themes emerged out of their approach, multidisciplinary collaboration, engagement and governance. BP commissioned external human rights experts to assist them in assessing areas for improvement, which resulted to a human rights implementation plan (Ethical Corporation, 2015).
Due diligence
Human rights due diligence is a process in which an organization exercises a reasonable degree of prudence in managing their business operations. In the oil and gas context, human rights due diligence necessitates the responsibility to respect human rights. This means that the oil and gas industry must; (i) respect human rights in projects and operations; (ii) prevent and/or mitigate any predictable human rights issues that may be a cause of or a result of the company’s projects and/or operations, or their partners; (iii) put together necessary policies and processes to manage and respond to human rights issues; (iv) express their commitment to respect human rights through policies that are endorsed by the company’s senior leadership; (v) organize assessments in the course of their operations on potential human rights issues and how to track and management the same; (vi) be transparent in communicating to all stakeholders steps the company may have taken to address any human rights violations; and (vii) put in place a grievance mechanism that would be able to address any complaints on human rights violations that may be raised by the community (Guiding Principles, 2011).

Lessons learned: Experiences from Norway and Nigeria
This section explores the nexus between natural resources, economic development and respect for human rights and its relationship to the resource curse thesis, by examining two countries, Norway and Nigeria. These two case studies enable us to find out, first, whether countries with large natural resources generally experience the resource curse than other countries and second whether the observance or non-observance of human rights is a causal factor that contributes to resource curse. This comparison will assist other countries, such as Tanzania not only overcome the resource curse, but also advance human rights within the oil and gas sector.

Norway
The oil resources in Norway were discovered in the 1960s. Soon after this discovery, the Norwegian government declared its ownership of this natural resource. Oil production started in June of 1971. This is the time when the Norwegian government got more involved in the oil production operations. In the 1970s the government founded Norwegian oil companies, Statoil, a state owned company and two other private owned companies Hydro and Saga. Statoil took 50 percent ownership of all newly developed oil fields. By the 1980s Norway enjoyed fairly modest oil revenues. This was also contributed to by the rise of oil prices in the 1970s. By the 1980s, oil
production contributed 15-20 percent to the country’s GDP (Bjerkholt, et al, 1990, p. 28). Statistics show that in 2012, oil production and revenues from oil production contributed “29 percent of total investments and 52 percent of total exports to the country’s GDP” (Norwegian Petroleum Directorate, 2013).

A number of variables can be said to have contributed to Norway avoiding the “curse of oil”. The first variable is the quality of Norway’s political institutions, including a reliable bureaucracy. The second, variable is good policies/laws that protect property rights. The third variable is less corruption. The correlation of these variables leads to economic growth (Mehlum, et al, 2006, 2008). A survey conducted by the Columbia University in New York revealed that most Norwegians are the happiest people in the world. 4 percent of the surplus from the oil and gas funds worth $800 billion and is enough to make each Norwegian a millionaire (Treanor, 2014). One way that Norway has been able to escape the “resource curse” is by successfully managing oil revenues. The government, through what was termed the “Long Term Program” in 1986, came up with an idea of a government oil fund. This idea received much support from the public. And, therefore, in 1990 the Petroleum Fund was established. The rationale of establishing the fund was to transfer all revenues from the oil sector into the fund in order to enable the fund to be integrated in government’s budget to cater for deficits in the budget. The purpose of creating the fund was to remove any political interference and manipulation by politicians who may have used the fund to advance their own political interests (Gjedrem, 2011).

Norway’s large deposits of oil and gas are situated on indigenous peoples’ land. Therefore, oil and gas exploration and exploitation has a potential of bringing negative impact on the peoples’ human rights as explained above. The Norwegian government had to take some positive steps to address potential human rights violations by companies operating in indigenous territories. Some of these steps included removing oil and gas companies from the State’s pension fund portfolio (Mines and Communities, 2006).

From this illustration, one can conclude that Norway has been able to respond to the three important attributes, one, responding to risks, second, addressing causal factors and third, due diligence that ensure a respect of human rights in the extraction of her natural resources. For these reasons, Norway has been able to escape the “resource curse”. The next case study is
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the extreme opposite to Norway. Nigeria has not been able to escape the “resource curse”.

Nigeria
Oil was discovered in Nigeria in 1956 in the Niger Delta. Shell-BP jointly made this discovery and was the sole owner and operator of the natural resource. The 1970s rise of global oil prices benefitted the Nigerian oil industry. Nigeria became instantly a rich oil country. The country joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and in 1977 established a state owned petroleum company – the Nigerian National Petroleum Company (NNPC). The NNPC controls the upstream and downstream sectors. Oil production contributes about 90% of the country’s gross earnings. Today, the oil production in Nigeria has reached 2 million barrels of crude oil per day. The oil production has enabled Nigeria to become the third largest economy in Africa.

Unlike Norway, which is a case study of how avoid the resource curse, Nigeria is an example of a country that has been plagued by the resource curse. A number of variables can be said to contribute to this curse. The first variable is corruption and mismanagement of oil revenues. Statistics from the World Bank estimates that 80 percent of oil revenue in the country only benefits 1 percent of the population (World Bank, 2013). Nigeria has a population of 173.6 million people. Human rights organizations, such as Human Rights Watch, have documented human rights abuses in the oil rich Ogoni land where the vast oil fields in Nigeria are located. Some of these violations include appropriation of land, forced relocations, extrajudicial killings, to mention a few. The height of these violations were witnessed in the 1990s when the human rights activist Ken Saro-Wiwa was executed because of his opposition against the Nigerian government and oil companies’ continued human rights violations (Human Rights Watch, 1999).

The second variable is internal conflict. The Delta region, which is the oil rich region in the country, has experienced violence since the 1970s between the government and indigenous people. People in the oil rich Delta region have become infuriated by foreign oil companies reaping the benefits of the resource without seeing any improvement in their own standard of living. A militant group named Movement for the Emancipation of the Niger Delta (MEND) has been launching attacks on the oil workers and pipelines, sending a message that the oil companies are not welcomed in the region and should pack up and leave (Nigerian news headlines, 2016). The extraction of oil in the region has not only negatively impacted the population.
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... economically, but also environmentally. According to statistics from the Nigeria federal government, between 1970 and 2000 there have been more than 7000 oil spills which has led serious environmental damage. Moreover, the oil industry in Nigeria fuels transnational crimes. The International Crisis Group in 2006 reported that “Nigeria loses anywhere from 70,000 to 300,000 barrels per day to illegal bunkering” (International Crisis Group, 2006, p.8). Oil bunkering not only affects the oil revenue for the country, but also enables militants to purchase weapons to fight the Nigerian security forces. It is also reported that the politicians and other elites in the country are involved in this oil theft (Lubeck et al, 2007, p.9).

Conclusion
The case studies discussed in this article show clearly a pathway for Tanzania as far as the exploration and exploitation of oil and gas is concerned. In order to harness future revenues of oil and gas for the purposes of improving the living standards of all Tanzanians, it is imperative that Tanzania first, makes sure that policies created are in tandem with the U.N. guidelines. Second, making sure that institutions are created that are democratically constituted, respect the rule of law and support a culture of respecting institutions. All these would ensure human rights protection in the law, guarantees good governance and avoid the resource curse as shown in the Norwegian case study.

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