

REPUBLIC OF RWANDA



MINISTRY OF NATURAL RESOURCES

***National Upstream Petroleum Policy for Rwanda***

**The policy goal is to create a conducive environment to accelerate petroleum exploration activities in Rwanda with a view to move towards the production stage**

**April, 2013**

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## **LIST OF ACRONYMS**

|           |   |
|-----------|---|
| IOC       | International Oil Companies                 |
| MINIRENA  | Ministry of Natural Resources               |
| MINICOM   | Ministry of Trade and Industry              |
| MININFRA  | Ministry of Infrastructure                  |
| MINECOFIN | Ministry of Finance and Economic Planning   |
| MINAFFET  | Ministry of Foreign Affairs and Cooperation |
| PSC       | Production Sharing Contract                 |
| PSF       | Private Sector Federation                   |
| RDB       | Rwanda Development Board                    |
| REMA      | Rwanda Environment Management Authority     |
| RURA      | Rwanda Utilities Regulatory Agency          |

## **Executive Summary**

The potential of economic petroleum occurrence in Rwanda is becoming a good prospect because of discoveries in similar basins in East Africa and because of the preliminary geophysical data that has been generated in Kivu basin recently.

Gravity and magnetic surveys carried out across the basin indicate sediment thickness of between 3-3.5 kilometres in some parts of the Lake basin. Seismic data has also confirmed sediment structures, known to be associated with productive petroleum systems.

There is need for a comprehensive policy to provide for strategic direction to develop sustainable exploration and production strategies. This policy framework is intended to accelerate exploration activities and regulate the activities as well. It underlines the Government's commitment to provide the framework for the development of the petroleum potential of Rwanda through mutually beneficial cooperation between the Government and the petroleum exploration and development companies

The fundamental issues in this policy document focus on basic questions about resource ownership, fundamentals of the fiscal and legal framework, and broad relationships among actors in the petroleum sector, broad institutional frameworks, and national participation.

In terms of scope, the Policy addresses two main areas that the Government should strengthen, for the successful regulation and monitoring of petroleum operations. These are: principles guiding the monitoring of petroleum operations; and the regulatory framework for petroleum operations.

The Policy document highlights five main principles;

- i. Provision of a competitive operating environment;
- ii. Acquisition of high quality and comprehensive petroleum data;
- iii. Strategy to attract strong and professional petroleum companies;
- iv. High level of certainty to all stakeholders; both existing and potential;
- v. Ensuring sustainable exploration and production activities.

The Policy document also highlights the regulatory (policy, fiscal and legal) framework for the management of the upstream petroleum operations. These

are: A Fundamental Petroleum Policy; Petroleum Legislation; Petroleum Regulations; and a Model Contract.

This policy will be supported by a Strategic Plan which shall embody Strategies and Action Plans based on the principles and ground-rules for governmental monitoring and management of petroleum exploration and production activities.

## 1. INTRODUCTION

In Vision 2020, energy is identified as key to effectively spur growth of the economy and thereby improve the living standards of the people of Rwanda in a sustainable and sound manner. The Government of Rwanda (GOR) through its Economic Development and Poverty Reduction Strategy envisions having a secure energy supply by increasing quantities from traditional sources and diversifying into new sources including locally produced petroleum. The process to achieve the latter has started with exploration but will require a strong policy and legal framework to be effectively achieved, hence the need for an upstream policy, which does not exist.

The Upstream Petroleum Policy underlines the Government's commitment to provide the framework for the development of the petroleum potential of Rwanda through mutually beneficial cooperation between the Government and the petroleum exploration and development companies. **It is aimed at achieving quick petroleum exploration leading to possible development and production in Rwanda within a reasonable time frame.** This policy seeks to put in place a framework that will create a conducive environment to:

- 1) Accelerate the current petroleum exploration activities in Rwanda;
- 2) Efficiently manage the upstream petroleum sub-sector;
- 3) Consolidate and acquire more data to promote petroleum exploration activities;
- 4) Establish a robust legal and adequate regulatory regime in the upstream petroleum sub-sector;
- 5) Develop manpower, technical capacity and local content in petroleum upstream activities.

It seeks to achieve this by: (i) setting up and/or empowering relevant institutions, (ii) capacity building in human resource in the country and (iii) attracting strong companies to invest in the development of the country's petroleum sub-sector.

## **2. BACKGROUND AND SCOPE**

### **2.1 Background**

Rwanda, like other regional and neighbouring countries, is making the effort to attract investors to explore and exploit petroleum resources. In Rwanda, the petroleum exploration program is still in its infancy. There is still limited geological data on the potential petroleum basins in the country which has led to minimal exploration activities to date. Despite this, however, the favourable position of the Rwanda's potential basins in the East African Rift Valley, the petroleum discoveries in the northern part of the Rift (Lake Albert Basin), the good prospects to the south in Lake Tanganyika and the relatively favourable Lake Kivu Basin sediment thickness and structure obtained from aero gravity and seismic studies respectively are attracting investors to the country, interested in securing exploration blocks. Currently, the obvious potential basin for petroleum exploration is Lake Kivu and adjacent smaller basin of Bugarama.

### **2.2 Scope**

The complete petroleum value chain (from promotion of blocks for exploration up to consumption) is subdivided into upstream, midstream and downstream components. Upstream covers promotion, licensing, exploration, development and production of petroleum while midstream includes transportation, refining and conversion of gas. A of transportation, especially with regard to transportation of oil and gas on the petroleum fields and between fields and processing centers can also be considered as upstream activities downstream petroleum activities are to do with distribution, marketing and sale of petroleum products.

This policy is to provide for the administration, regulation and management of the upstream petroleum in light of the Government EDPRS II programme. The policy addresses two main areas that Government is to concentrate on for the successful regulation and monitoring of petroleum operations.

These are:

- The guiding principles for the monitoring of petroleum operations, and



- Regulatory framework for the petroleum operations.

### **3. ISSUES**

There are various issues that will have to be addressed in order to have a robust framework in place to help develop the petroleum resource quickly and sustainably. The policy framework will help is how to address issues like; geological data bank, build capacity in exploration and development of petroleum products, and in understanding and negotiating petroleum contracts, ensure that petroleum exploration and development operations are conducted sustainably in relation to the environment and to the social and economic lives of the local communities. It is critical that a policy and legal framework will create critical capacities, abundance of data and be based on modern regulatory arrangements and be competitive. The policy will make it possible for Rwanda to secure the full economic and social benefits that petroleum exploration and production can provide.

### **4. GOALS AND OBJECTIVES**

The significance of this policy is expressed in the goals, objectives and three core principles upon which it is based.

#### **4.1 *The Goal***

The goal of this policy is “to create a conducive environment to accelerate petroleum exploration activities in Rwanda with a view to move towards the production stage and tap petroleum resources”

#### **4.2 *Objectives of the Policy***

The main objective of this policy is promotion and acceleration of petroleum exploration in Rwanda to quickly achieve commercial discovery; this is to be achieved through the following specific objectives:

1. To consolidate the existing petroleum potential related data and attract and engage very competent exploration and development companies;
2. To build the capacity of Rwandans to participate effectively in all the stages of petroleum development, from exploration and production to legal and financial issues. This will be through maximising

opportunities for petroleum sector-related education, training and career development;

3. To establish a legal framework that ensures a realistically quick but competitive petroleum exploration and development processes;
4. To achieve an environmentally and socially acceptable balance between petroleum exploration and the physical and human environment and, to ensure that internationally accepted standards of health, safety and environmental protection are observed by all participants in the petroleum exploration sector.
5. To develop streamlined and effective institutional arrangements for the petroleum exploration sector, together with adequate capacity to promote, authorise, monitor and regulate petroleum exploration operations.
6. To encourage petroleum exploration companies to develop a participatory and collaborative approach to petroleum exploration planning and development, taking into account the needs of local communities, thereby fulfilling their role as socially responsible corporate bodies.
7. To act in harmony with relevant regional and international partners and, to this end, endorse and implement principles that are established in regional and international conventions and other instruments and undertakings that are relevant to Petroleum exploration and production and to which Rwanda is a party or signatory.

### **4.3 Guiding Principles**

The Rwanda Upstream Petroleum Policy is built on the following guiding principles:

- 1) Provision of a competitive operating environment;
- 2) Offer high level of certainty to all stakeholders; ;
- 3) Acquisition of high quality and comprehensive petroleum data;
- 4) Strategy to attract strong and professional petroleum companies;
- 5) Ensuring sustainable exploration and production activities.

## **5. REGULATORY FRAMEWORK**

### ***5.1 Petroleum Exploration and Production Law***

This policy provides for a legal and regulatory framework to achieve the following:

- 1) create an enabling environment for increased private sector participation and investment in the upstream petroleum activities
- 2) strengthen the regulatory framework and quality assurance, and
- 3) provide for a system of licensing companies to carry out petroleum exploration operations;
- 4) establish a body with responsibility for regulation, oversight and monitoring of activities in the upstream petroleum sector,

The Ministry shall also develop regulations for the general conduct of the petroleum exploration activities to facilitate the implementation of the Law.

### ***5.2 Principles of the Legal Framework***

The legal framework upholds the ownership of the petroleum resources within the framework of the Constitution of Rwanda.

The Legal framework makes the following provisions;

1. Confirms sovereign rights of Rwanda to explore, develop, produce, utilize and manage its petroleum resource;
2. Defines direction to be undertaken to determine the extent of petroleum resources which may exist in Rwanda, by creating a regulatory, contractual and financial regime that allows the reconnaissance and exploration of petroleum, and development, production and marketing of any petroleum which is discovered;
3. Provides for maximum benefit to Rwanda and its people from the development and production of petroleum should the petroleum resource be discovered;
4. Ensures the protection, conservation and preservation of the environment in the management of petroleum operations;

5. Offers provisions to encourage and support local and foreign investment;
6. Complies with other national, regional and international initiatives to ensure transparency of extractive industries by enhancing public financial management and accountability, recognizing that management of natural resources is for the benefit of all Rwandan citizens and is to be exercised in the interest of national development and;
7. Ensures predictable management of all upstream petroleum licences.

### ***5.3 Petroleum Contracts***

The Government shall enter into Contracts with the private sector to explore for petroleum resources. The type of contract to be used in the country is the Production Sharing Contract (PSC). The PSC will detail the specific obligations and requirements of the parties to the agreement. These include work programmes and financial obligations, health, safety and environment (HSE) requirements together with others like data ownership and reporting obligations.

To facilitate the ease of negotiating PSCs with petroleum exploration companies, the Government will develop a model Production Sharing Agreement detailing the Government position on the various issues. The model PSC will fast-track negotiations and enable the petroleum exploration companies to easily identify areas on which they wish to negotiate and forward counter proposals to the Government. The model PSC shall be updated regularly to take into account new policies and developments at the national, regional and international levels.

This standardisation of agreements will enable petroleum exploration operations to be conducted on a level playing field and ensure investment decisions are based on factors that can be predicted and planned for. It also enhances the capacity of the Government to administer the system efficiently and transparently.

### ***5.4 Environmental Regulation of Petroleum exploration and Production***

Sustainable petroleum exploration industry development requires balancing social and economic development with the protection of the flora and fauna

and natural environment. This calls for an environmentally and socially acceptable balance between petroleum exploration and the physical, ecological and human environment and compliance with internationally accepted standards of health.

The Government will harmonize the legal framework envisaged in this policy with all existing environmental laws and in particular, petroleum exploration companies will be required to comply with the standards of all applicable environmental legislation and regulations.

The Government will streamline and synchronise procedures for the assessment of applications and inter-agency consultation by establishing arrangements under which the agency in charge of the environment and the Ministry in charge of upstream petroleum activities will consult during the evaluation of applications for exploration licenses.

The Government through the Ministry in charge of upstream petroleum activities will develop standards and guidelines for environmental compliance by petroleum exploration companies, in consultation with all relevant stakeholders. These will include standards of environmental performance for different types of petroleum exploration operations, particularly with regard to areas of terrestrial and marine ecological sensitivity and guidelines for petroleum exploration companies in compliance with EIA and other environmental permitting requirements, including conformity with internationally accepted standards on matters such as resettlement, pollution and waste management, and on monitoring arrangements.

The Government will establish a clear legal framework, procedures and obligations concerning decommissioning by defining the obligations of the holder of exploration licence on the decommissioning, abandonment, recovery and removal, or if applicable re-deployment, of wells, flow lines, pipelines, facilities, infrastructure and assets related to petroleum operations. Petroleum exploration companies will also be required to provide a suitable upfront guarantee or set aside a reserve fund to meet rehabilitation and well closure obligations.

### ***5.5 Fiscal Policy for Petroleum exploration and Production***

The Government recognises that in exercising stewardship of the petroleum endowment, it must maximise the fiscal benefits generated by the exploitation of the country's non-renewable resources on behalf of the people of Rwanda.

To this end, the Government seeks to attract investment in the petroleum exploration sector and put in place stable fiscal terms that ensure both the Government and investors benefit from petroleum exploration and production.

The majority of petroleum exploration activities and related expenses will be done and incurred by oil exploration and development companies. However, the Government may directly invest in exploration if deemed necessary. The government will provide appropriate facilitation to investors. This will be reflected in the fiscal regime to be established for the petroleum exploration sector and in other relevant legislations.

This fiscal policy will encourage local and foreign private sector participation in the exploration for, and commercial exploitation of, petroleum resources, consistent with the Government's commitment to a free-market economy. The Government recognises that private sector investors need to be able to operate profitably and be internationally competitive.

To this end, the Government will establish and maintain;

- a conducive operational framework for petroleum exploration investment;
- a stable regulatory environment that provides for the transparent and fair treatment of investors;
- access by investors to, and security of tenure over, areas of petroleum exploration; and
- a stable, competitive and fair fiscal regime.

## ***5.6 Securing the Maximum Benefits of Petroleum exploration and Development***

Petroleum resources are non-renewable and therefore finite. Their exploitation and utilisation must be undertaken in a manner that creates durable and sustainable social and economic capacity for the country. These resources have the potential to provide immense benefits to the country through creation of employment, generation of revenues, development of infrastructure, and subsequently fast-tracking social transformation of the country.

This policy provides for a sustainable thriving petroleum exploration and development industry. All stakeholders need to secure optimum direct and indirect benefits from petroleum exploration and subsequent production. These principles will be detailed in the appropriate legislation and contracts.

## **6. POLICY STATEMENTS**

### ***6.2 To accelerate the current petroleum exploration activities in Rwanda***

*Actions:*

- Enter into production sharing contracts with investors to guarantee minimum work obligations and commitment;
- Determine the number of exploration feasible blocks in Rwanda;
- Promote the available acreage to Investors;
- Avail incentives to investors.

### ***6.3 To consolidate and acquire more data to promote petroleum exploration activities***

*Actions:*

- Ensure that the data that is already collected is interpreted and stored properly;
- To put mechanisms to encourage companies to conduct surveys ;
- Ensure that companies exploring for petroleum acquire data in the best quality and make it available to the Government;
- Carry out geophysical and geological surveys through the government Agency in charge of petroleum exploration and development.

### ***6.4 To establish a robust legal and adequate regulatory regime in the upstream petroleum activities;***

*Actions:*

- Establish a transparent and efficient system of issuing exploration licenses for exploration and production of petroleum ;
- Create and enforce standards for the upstream petroleum sector activities;

### ***6.5 To develop manpower, technical capacity and local content in petroleum exploration activities.***

*Actions:*

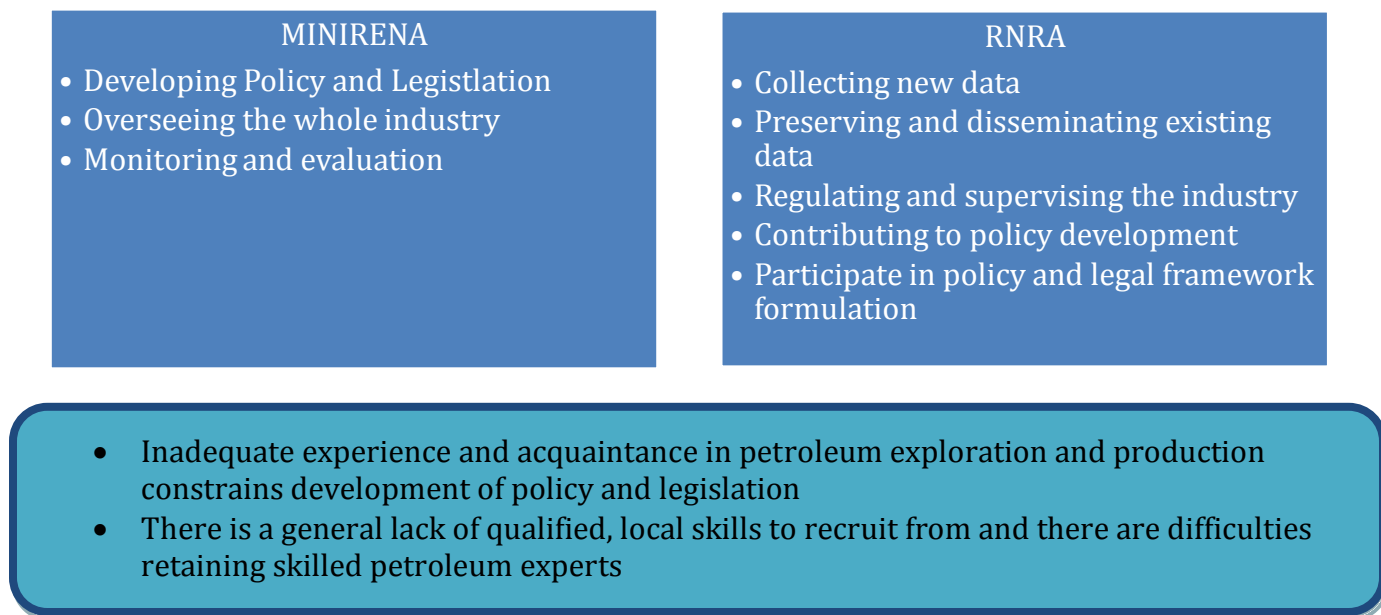
- Develop a capacity building plan and strategy ;

- Set up a training fund to cater for capacity building programmes specific to the industry;
- Integrate company obligations to capacity building as contractual obligations.

## 7. INSTITUTIONAL FRAMEWORK

The coordination of the upstream petroleum industry is currently led by two institutions. MINIRENA has the responsibility of formulating the policy and legislation, while RNRA has the responsibility of support in policy formulation, and implementing the policy and the legal framework. Figure 2 below presents responsibilities and the constraints faced by each institution.

**Figure 1: Roles and constraints facing the two government agencies—institutions responsible for upstream petroleum**



As the petroleum exploration activities advance, there will be need to strengthen the current institutional arrangement mandated to promote and regulate the sector or establish a new institutional framework all together. . The e institutional framework should take into consideration the different critical roles of the government ministries and agencies currently involved in the implementation of the upstream petroleum policy activities. Under the

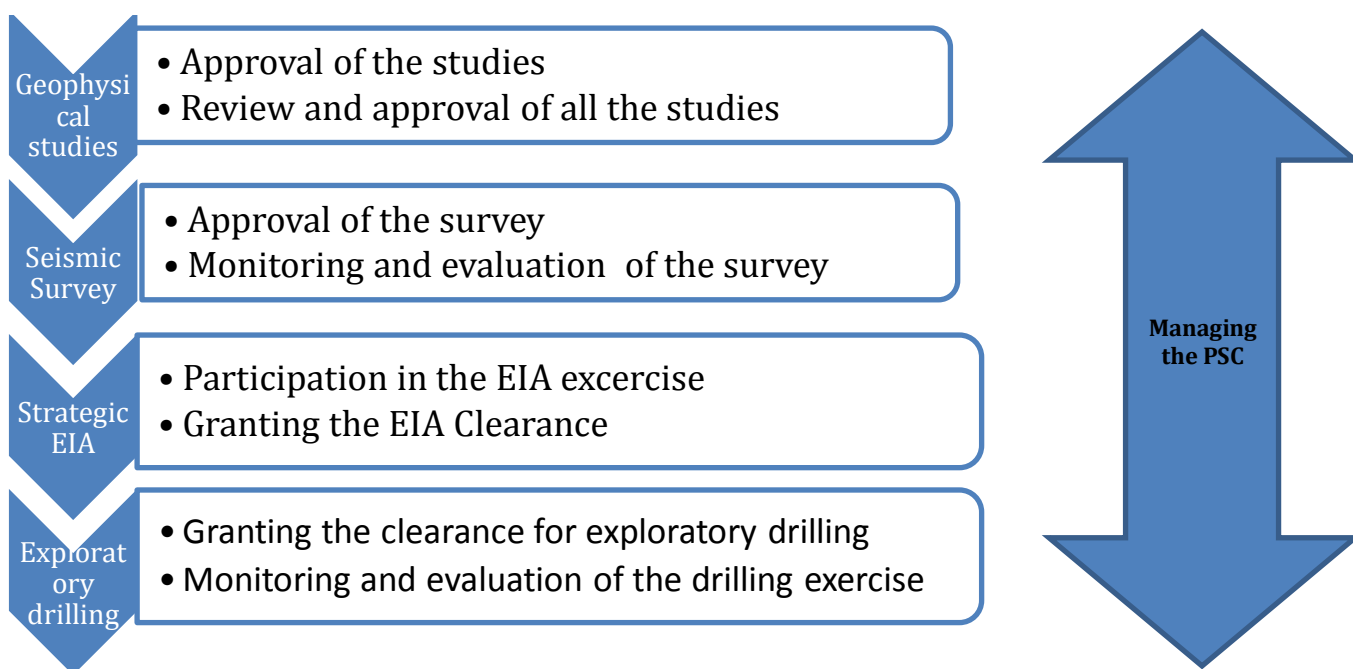


current structure, however, the petroleum unit will be housed in the Geology and Mines Department.

## 7.1 The Role of Government

The role of government in petroleum exploration and production is presented in Figure 3 below. It is mainly to do with licensing, regulation, monitoring and evaluation and approving outputs of different activities.

**Figure 2: Summary of the role of Government in petroleum exploration.**



The specific roles of some of the key institutions are enumerated hereunder;

### 7.1.1 The Role of the Ministry in charge of Petroleum upstream

The role of the Ministry in charge of Petroleum upstream activities is to;

- a) Formulate and oversee the implementation of the upstream petroleum policy;
- b) Establish and develop the relevant legislation;
- c) Promote and Build durable sector resource capacities;

- d) Adjust institutional framework to meet any new developments;
- e) Guide development of the upstream petroleum industry in the country.

#### *7.1.2 The role of the Ministry in charge of Finance and Economic Planning*

The Ministry of Finance and Economic Planning will establish effective systems and infrastructure to track and monitor resource and investor expenditures in the upstream petroleum activities and will ensure that the necessary revenue management framework in the event of a petroleum discovery is in place.

#### *7.1.3 The Role of Rwanda Natural Resources Authority (RNRA)*

In the present institutional arrangement, RNRA is the petroleum upstream activities regulatory agency and is responsible for:

- a) Implementing the policy and the legal framework;
- b) Advising the Government on appropriate mechanisms for the development of the upstream petroleum sector and investment opportunities;
- c) Managing all petroleum exploration data;
- d) Managing and monitoring all oil exploration activities in Rwanda;
- e) Providing technical advice on oil exploration activities in Rwanda;
- f) Review all technical reports submitted by the exploration companies and provide high level advice to the Government on the contents;
- g) Provide advice on quality control assurance of all the on-going and future exploration activities;
- h) Develop an effective petroleum exploration programme that promotes Rwanda sedimentary basins with a view to advance petroleum exploration activities in Rwanda.

#### *7.1.4 Role of Rwanda Environment Management Authority (REMA)*

REMA is a non-sectorial institution mandated to facilitate coordination and oversight of the implementation of national environmental policies and legislation. With due regard to the very responsibilities of the institution, REMA shall be required to;

- a) Coordinate the implementation of environmental impact assessments for petroleum exploration activities;

- b) Carry out, alongside other stakeholders, environmental monitoring and audits of petroleum exploration activities;
- c) Monitor compliance of petroleum exploration activities with environmental guidelines;
- d) Harmonize national performance standards in the upstream petroleum sector on environmental sustainability with international standards;
- e) Ensure self-monitoring guidelines for the petroleum exploration companies in compliance with waste water effluent standards together with ground and surface water quality standards;
- f) Participate in monitoring and management of oil spill emergencies;
- g) Ensure that petroleum exploration activities are carried out in a manner that preserves and enhances biodiversity, water catchments and wetlands.

#### *7.1.5 The role of the Rwanda Utilities Regulatory Authority (RURA)*

This policy further recognizes the important role of Rwanda Utilities Regulatory Agency (RURA) as stipulated under the Law n° 39/2001 of 13<sup>th</sup> September 2001 in as far as the regulation of public utilities is concerned.

## **8. MONITORING AND EVALUATION OF THE POLICY**

Planning, monitoring and evaluation are required at all levels from policy making to implementation. This policy therefore proposes a system where results and outcomes are consistently monitored and evaluated at the policy level. This system shall be based on minimal indicators that can be tracked at the policy level but be adequate to give key signals about the implementation agenda of the upstream petroleum policy. The indicators will include exploration work carried out within a year, personnel trained, geological data made available and assessment of social, economic and environment impacts.

## **9. STAKEHOLDER VIEWS**

Representatives of all stakeholder groups were involved and consulted at every stage of the policy making process. This included various levels of government as well as the private sector.

Consultations began in 2009. Key inputs on this policy were received from key government stakeholders including MINICOFIN, MINICOM, MINIJUST, MININFRA, RURA, RRA and RDB.

## 10. THE IMPLEMENTATION PLAN

The following table outlines a detailed implementation plan for the policy actions of this upstream Petroleum Policy, together with the costs of these activities: the implementation plan focuses on policy choices to be executed by identifiable GoR stakeholders. Detailed time table of targets will be elaborated in annual action plans.

| Policy objectives  | Policy Actions   | Timeframe | Implementation  | Cost estimates in USD |
|--|--|-----------|---|-----------------------|
| To accelerate the current oil exploration activities in Rwanda             | Put in place all necessary conditions to enable negotiating and signing of Production Sharing Contracts(PSCs) with investors | 2013      | <b>RDB (lead)</b> , MININIRENA, MINECOFIN, MINIJUST, RNRA | N/A                   |
|  | Avail incentives to investors  | 2013-2018 | <b>MINICOFIN (lead)</b> , MINIRENA, RDB, RRA              | N/A                   |
|  | Promote the Rwanda acreage to Investors  | 2014-2018 | <b>RDB (lead)</b> , MINIRENA, RNRA                        | 80,000                |
| To Consolidate and acquire more data to promote oil exploration activities | Ensure that the data that is already collected is interpreted and stored properly  | 2013-2014 | <b>RNRA (lead)</b> , MINIRENA                             | 50,000                |
|  | Put in place specific mechanisms to encourage companies to conduct reconnaissance surveys                                    | 2013-2015 | <b>MINIRENA (lead)</b> , RDB, MINECOFIN, RNRA             | N/A                   |

| Policy objectives  | Policy Actions   | Timeframe | Implementation                                | Cost estimates in USD |
|--|--|-----------|---|-----------------------|
|  | Ensure that companies exploring for petroleum acquire data in the best quality and make it available to the Government   | 2013-2018 | <b>RNRA (lead),</b><br>MINIRENA               | N/A                   |
|  | Carry out independent geophysical studies  | 2013-2018 | <b>RNRA (lead),</b><br>MINIRENA               | 100,000               |
| To establish a robust legal and adequate regulatory regime in the upstream petroleum activities; | Establish a transparent and efficient system of issuing exploration contracts for petroleum exploration and production ; | 2013-2015 | <b>MINIRENA (lead),</b> RDB,<br>RNRA          | N/A                   |
|  | Create and enforce standards for the upstream petroleum sector activities;   | 2013-2015 | <b>MINIRENA (lead),</b> RNRA                  | N/A                   |
|  | Create safeguards for environmental protection, oil disaster awareness and mitigation;                                   | 2013-2018 | <b>MINIRENA (lead),</b> RNRA,<br>REMA         | N/A                   |
|  | Monitoring and evaluation of exploration activities;   | 2013-2018 | <b>RNRA (lead),</b><br>MINIRENA               | 190,000               |
| To develop manpower, technical capacity and local content in petroleum exploration activities;   | Develop a capacity building plan and strategy ;  | 2013-2018 | <b>MINIRENA (lead),</b><br>MINEDUC,<br>RNRA   | 1,600,000             |
|  | Set up a training fund to cater for capacity building programmes specific to the industry                                | 2013-2015 | <b>MINIRENA (lead),</b><br>MINECOFIN,<br>RNRA | N/A                   |
| <b>Total Cost</b>  |  |           | <b>USD. 2,020,000</b>                         |                       |

## **11. FINANCIAL IMPLICATIONS**

The international oil companies will directly undertake the petroleum exploration activities and the government of Rwanda, as stated before, is not to expend any money towards exploration. However, financial resources will be required for putting in place the proposed policy framework together with the necessary legal infrastructure, strengthening institutions and capacity building. The overall cost of implementing this policy over the next five (5) years is estimated to be USD 2,020,000 as tabulated above.

## **12. LEGAL IMPLICATIONS**

There are no existing laws that will require amendment or repealing. However, a Law on petroleum exploration and production will be enacted and relevant accompanying regulations will be adopted.

## **13. IMPACT ON BUSINESS**

There is minimum impact expected on existing business since there is currently only one petroleum exploration company on the ground which is at the preliminary stages of petroleum exploration.

## **14. HANDLING PLAN (COMMUNICATION PLAN)**

The following methods shall be used to disseminate the policy document:

- Posting of the document to the MINIRENA website for easy download.
- Distributing the document during seminars and workshops to be held with stakeholders.
- Organize a series of sensitization workshops for Stakeholders on the policy after its approval.
- Wide dissemination abroad of the policy through Rwanda Embassies and other appropriate channels.