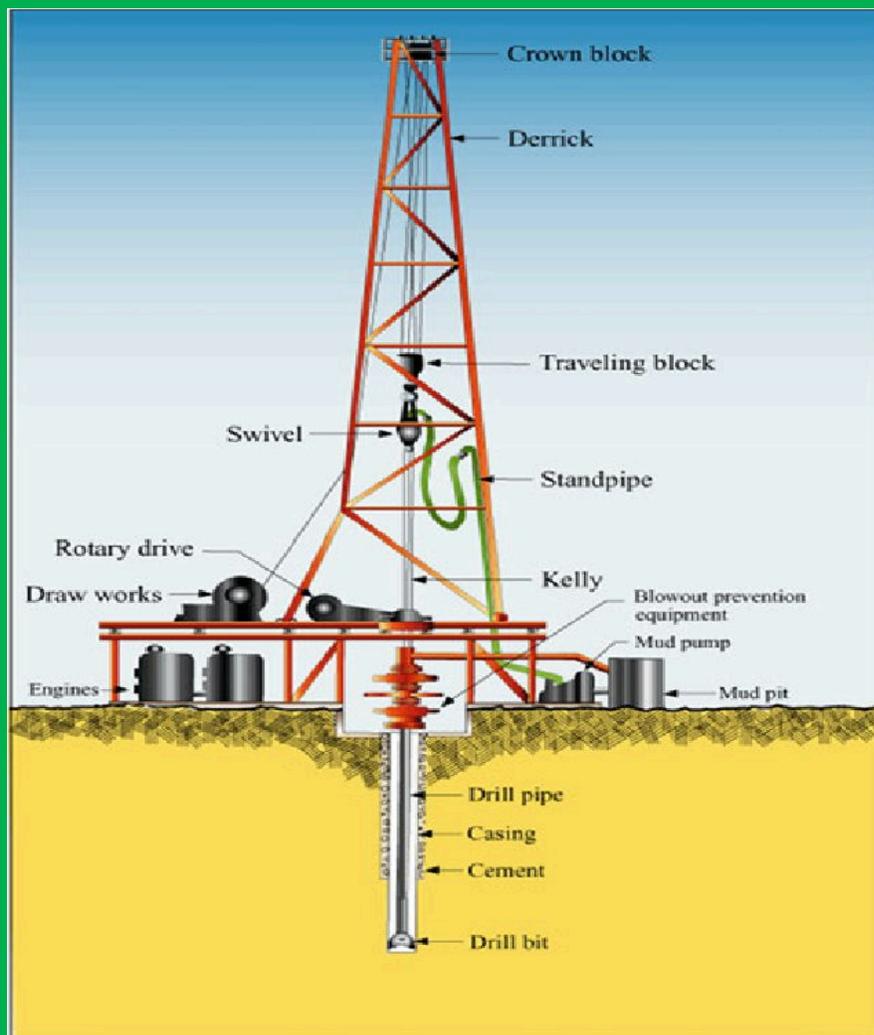




**GOVERNMENT OF MALAWI**

**NATIONAL PETROLEUM (EXPLORATION AND PRODUCTION) POLICY**



**MINISTRY OF MINING**

**APRIL, 2023.**



**GOVERNMENT OF MALAWI**

**NATIONAL PETROLEUM (EXPLORATION AND PRODUCTION) POLICY**

**MINISTRY OF MINING**

**APRIL, 2023.**

First Published in 2023

All rights reserved. This publication can be cited or quoted with due referencing to the Ministry of Mining.

**Contact Address:**

Ministry of Mining,  
P.O. Box 251,  
Lilongwe.

**Tel:** +265 (0)1 754 777

**Email:** [minfo@mining.gov.mw](mailto:minfo@mining.gov.mw)

**Website:** [www.mining.gov.mw](http://www.mining.gov.mw)



## TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS .....	iii
GLOSSARY .....	iv
FOREWORD .....	vi
PREFACE .....	vii
1. INTRODUCTION.....	1
1.1 Background .....	1
1.2 Rationale .....	2
1.3 Linkages with Relevant Policies, Legislation and International Commitments....	3
2. BROAD POLICY DIRECTIONS .....	8
2.1 Policy Goal.....	8
2.2 Policy Outcomes .....	8
2.3 Policy Objectives .....	8
2.4 Policy Guiding Principles .....	9
3. POLICY PRIORITY AREAS .....	9
3.1 Governance .....	9
3.2 Fiscal Regime.....	12
3.3 Revenue Management.....	13
3.4 Environmental Management.....	14
3.5 Corporate Social Responsibility and Community Development Agreements ....	15
3.6 Local Content.....	16
3.7 Resource Ownership .....	17
3.8 Data Management .....	18
3.9 License and Contract Management.....	19
3.10 Regional and International Cooperation .....	20
3.11 Cross Cutting Issues.....	21
4. IMPLEMENTATION ARRANGEMENTS .....	23
4.1 Institutional Arrangements.....	23

4.2 Implementation Plan .....	26
4.3 Monitoring and Evaluation Plan .....	27
4.4 Policy Review .....	27
ANNEX 1: IMPLEMENTATION PLAN .....	28
ANNEX 2: MONITORING AND EVALUATION PLAN .....	42

## **ACRONYMS AND ABBREVIATIONS**

<b>CDA</b>	Community Development Agreement
<b>CSO</b>	Civil Society Organization
<b>CSR</b>	Corporate Social Responsibility
<b>EITI</b>	Extractive Industries Transparency Initiative
<b>ESIA</b>	Environmental and Social Impact Assessment
<b>GDP</b>	Gross Domestic Product
<b>IOC</b>	International Oil Company
<b>LUANAR</b>	Lilongwe University of Agriculture and Natural Resources
<b>MDAs</b>	Ministries, Departments and Agencies
<b>MoU</b>	Memorandum of Understanding
<b>MRA</b>	Malawi Revenue Authority
<b>MZUNI</b>	Mzuzu University
<b>MUST</b>	Malawi University of Science and Technology
<b>NEP</b>	National Energy Policy
<b>NGO</b>	Non-Governmental Organisation
<b>NOCMA</b>	National Oil Company of Malawi
<b>NPEPP</b>	National Petroleum Exploration and Production Policy
<b>PSA</b>	Production Sharing Agreement
<b>UNIMA</b>	University of Malawi

## **GLOSSARY**

**Act:** Petroleum (Exploration and Production) Act, Act No. 2 of 1983 as amended, repealed or replaced from time to time.

**Block:** Means the geographical area described as Block as provided in the Act.

**Corporate Social Responsibility:** The responsibility of a company licenced to conduct petroleum operations towards the community and environment (both ecological and social) in which it operates.

**Community Development Agreements:** An agreement between a company licenced to conduct petroleum operations and a community, providing a mechanism through which the benefits of any Petroleum project can be shared directly with local communities and other project affected stakeholders.

**Crude Oil:** Means a mixture of hydrocarbons which are liquid under normal atmospheric conditions and includes condensates and distillates obtained from Natural Gas.

**Downstream Operations:** All operations for refining Petroleum Crude Oil and the processing and purifying of raw material Gas, as well as the marketing and distribution of products derived from Oil and Natural Gas.

**Drilling:** Shall have the meaning ascribed to it by the Act.

**Environmental Performance Bond:** Financial assurance mechanisms for guaranteeing funding to meet the cost of environmental protection.

**Exploitation:** The act of using natural resources for some benefit.

**Local Content:** A provision of the level of use of a country's national labour, technology, goods, services, capital and research capabilities and local expertise and a special consideration to local people in the country or communities within project areas on matters concerning training and other forms of capacity building, business opportunities and supply of goods and services among others to ensure local participation in projects.

**Natural Gas or Gas:** Means hydrocarbons that are in a gaseous phase under normal atmospheric conditions of temperature and pressure and non-hydrocarbon gas produced in association with liquid or gaseous hydrocarbons.

**On-shore Petroleum Operations:** Shall have the meaning ascribed to it by the Act.

**Off-shore Petroleum Operations:** Shall have the meaning ascribed to it by the Act.

**Petroleum:** Shall have the meaning ascribed to it by the Act.

**Petroleum Exploration:** Intentionally searching for Petroleum and includes the evaluation of any discovery of Petroleum.

**Petroleum Products:** Fuels made from Crude Oil and other hydrocarbons contained in Natural Gas.

**Petroleum Resources:** Estimated quantities of hydrocarbons naturally occurring on or within the Earth's crust.

**Petroleum Reservoir/Deposit:** A naturally occurring discrete accumulation of Petroleum on or below the surface of the Earth.

**Petroleum Operations:** Operations carried on for or in connection with the exploration or production of Petroleum.

**Pollution:** Any direct or indirect alteration of the physical, thermal, chemical or biological environment caused by the discharge, emission or deposit of waste or a pollutant into the environment in such amounts and for such duration and under such conditions as to cause an actual or potential danger to the environment.

**Polluter Pays Principle:** An environmental policy principle which requires that those who produce pollution should bear the cost of managing it to prevent damage to human health or the environment.

**Production Sharing Agreement:** A contract signed with the Government under which a Petroleum Company (or a group of Companies) as the other party bears the risks and costs associated with Petroleum operations and in return, if successful, is entitled to a share of Petroleum production.

**Upstream Operations:** All operations for exploration (searching) and production of Petroleum.

## **FOREWORD**

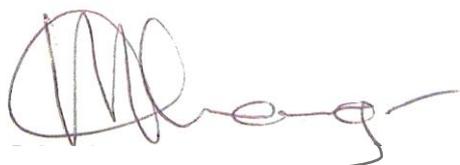
The Government of Malawi recognises the potential of the upstream petroleum subsector in transforming the country's economy. Petroleum resource development, if well managed, has the potential to generate revenue through royalties and taxes; contribute to foreign currency reserves; create employment; and transfer new technologies and skills necessary for socio-economic development of the country.

In view of the foregoing, this National Petroleum Exploration and Production Policy (NPEPP) has been developed to provide a new policy direction and guidance in the implementation of interventions in the upstream petroleum subsector. This is necessary in order to spur socio-economic development as aspired for in Government's overarching development agenda which is espoused in the Malawi 2063.

This Policy is coming at a time of a renewed interest in the development of the upstream petroleum subsector in the country as well as the rest of Great African Rift Valley Region. Since the first wave of interest in the development of the oil and gas sub sector in 1980s, there has been an evolution that has necessitated the development of the legal and regulatory frameworks.

It is, therefore, imperative that this Policy should go in sync with the development of new practices in the realms of regulations, science and management covering the whole spectrum of petroleum, and reflecting changes in realities from exploration to exploitation.

I, therefore, call upon all the stakeholders in the upstream petroleum subsector to join hands with the Government as it works tirelessly to achieve the aspirations and targets set in this Policy.



Hon. Monica Chang'anamuno, M.P.

**MINISTER OF MINING**

## **PREFACE**

This Policy is critical to the development of the upstream petroleum subsector in Malawi, especially at the time when there is a renewed interest in the development of hydrocarbon extractive industry in the country. Meanwhile, the country is demarcated into six (6) petroleum exploration Blocks.

As the country forges ahead with its development of the hydrocarbons extractive industry, it is imperative to review the governance frameworks that were developed in a different era to manage this industry. There are many challenges that need to be addressed including importantly, ensuring that the industry is competitive and attractive to potential investors and that the country receives optimal economic benefits from the development of its natural resources.

The extraction of petroleum resources is supposed to be conducted in a sustainable and responsible manner that aims to minimise the impact on the environment. In addition to this, the development of mechanisms for the management of revenues to be derived from petroleum production is critical. This is in recognition of the fact that if not well managed, the significant revenue derivable from the petroleum industry can have a destabilising effect on the economy of Malawi. Also considering that the resources are finite, a framework is supposed to be established to ensure their transformation into sustainable development which may include setting aside part of petroleum revenue for posterity. This Policy is framed to address these concerns, among others.

The Policy was developed after wide consultations with various stakeholders including Government Ministries, Departments and Agencies (MDAs); Civil Society Organisations; local authorities including Chiefs and district commissioners; international consultants; and the private sector existing in Malawi. I therefore, would like to thank all those who participated in the development of this Policy document at all levels for sparing their time and contributing their knowledge in formulating a Policy that would carry the aspirations of the people of Malawi.



Dr. Joseph C. N. Mkandawire  
**SECRETARY FOR MINING**

# **1. INTRODUCTION**

The National Petroleum Exploration and Production Policy (NPEPP) seeks to guide programming of interventions for efficient exploration and exploitation of the country's petroleum resources. Cognisant of the fact that the upstream petroleum subsector is in its infant stage, this Policy provides a coherent plan and clearly articulated strategies for regulating and managing the upstream petroleum subsector ahead of any major discovery. It reflects the latest developments in the upstream petroleum subsector as well as new national goals and international obligations. As separate instruments for the Policy implementation, an Implementation Plan and a Monitoring and Evaluation Plan with time-bound deliverables have been developed along with the Policy, which will be reviewed and updated periodically not later than every five years to ensure they remain current.

## **1.1 Background**

Exploration for petroleum in Malawi dates back to the 1980s when Duke University conducted a Ship-borne Seismic Survey over Lake Malawi under a research permit granted by the Government of Malawi. The research work was sponsored by over ten International Oil Companies (IOCs) including Shell Exploration B.V., Mobil, and Placid. The results of this research work indicated that there were thick sedimentary rocks in some parts of the lakebed with potential for hydrocarbons accumulation. This was followed by shallow scientific drilling on the lakebed by Syracuse University in 2004 in order to collect drill core samples for research purposes. Although the primary objective of the research work was to study the drill core samples in order to understand the past climate and geological evolution of the rift valley system, the research was of great interest to Malawi as the results of the work increased the knowledge of the geology and hydrocarbons potential of the lakebed.

Based on studies carried out by these universities, there are large structural features which are capable of trapping migrating petroleum. In addition, there is evidence to suggest that potential reservoir rocks have been deposited locally along the lake margins, and there is a possibility of such deposits extending into the lake. Although there is lack of geological evidence to demonstrate thermal maturity and a potential for source rocks, it is plausible to consider the Petroleum potential of Malawi as good.

A regional study has been conducted of the East African Rift Valley which has graded the basins as having the greatest similarities to the productive Albertine basin of Uganda. It is useful to note that Lake Malawi lies along the Southern end of the

Western branch of the rift valley system, the only part of the rift system to be proven productive to date.

The upstream petroleum subsector has been unable to justify the kind of expenditures that would be required to test drill in the extreme water depths of Lake Malawi which range from an average depth of 264 meters to 706 meters in the deepest part of the lake. However, rising Oil prices and growth in Petroleum consumption in emerging markets have increased the industry's appetite for deep water plays. To this end, the Government of Malawi has decided that further exploration for Oil and Gas across the whole country is warranted.

In addition, the Oil discoveries in lakes in Chad, Sudan, Kenya and Uganda, which form part of the East African Rift Valley System, also aroused interest by Oil companies to explore for Oil and Gas in Lake Malawi which is located within the same East African Rift Valley System.

Under the country's 2009 Regulations of the Petroleum (Exploration and Production) Act of 1983, Malawi was divided into six (6) Oil exploration and production Blocks. These Blocks were first granted to Oil and Gas exploration companies in 2011 and 2013. These companies conducted desk studies and onshore geological and geophysical studies up until 2021 when the remaining ones expressed their interest to relinquish their licences due to economic reasons accentuated by the COVID-19 pandemic. Currently, all the remaining Oil and Gas exploration companies have relinquished their licences but their substantial geoscientific data has been deposited with Government.

## **1.2 Rationale**

In the decades leading up to 2010, Oil and Gas companies had searched for Oil and Gas in East Africa (both onshore and offshore). In anticipation of Petroleum discovery, Uganda, Kenya, Tanzania and Mozambique worked assiduously with various international institutions to fashion stable and attractive policies, establish legal, regulatory, contractual and institutional frameworks for the regulation and sustainable management of Petroleum resources. Oil and/or Gas deposits have eventually been found either offshore or around the East African Rift Valley. Malawi is situated at the Southern end of this rift, where geological evidence suggests the existence of thick sedimentary rock sequences and structures capable of trapping Oil both onshore and offshore in Lake Malawi. The recent studies conducted by the Geological Survey Department and Oil Exploration Companies have shown huge potential of Petroleum occurrences in Malawi.

Despite this fact, not enough preparations have been made for the possibility of a Petroleum discovery in the country in terms of putting in place comprehensive policy, laws, regulations, model contracts and setting up institutions to effectively regulate the upstream petroleum subsector in Malawi. This deficiency in the planning and strategy for the development of the upstream petroleum sector will impact the level of sustained investment in the upstream petroleum subsector, undermine the preservation and protection of the environment and impede the maximisation of the economic benefits from the sector for the country and its people.

### **1.3 Linkages with Relevant Policies, Legislation and International Commitments**

#### **Constitution of the Republic of Malawi**

The Constitution under Section 13 embodies principles of national policy that will ensure that the State is actively promoting the welfare and development of Malawians. Among others, it mandates the State to develop policies that will prevent the degradation of the environment, enhance the quality of rural life, support the furtherance of education, support people with disability in all spheres of life and ensure the full participation of women in all areas on the basis of equality with men. To effectively realise this right, the State has an obligation to take all necessary measures, including facilitating equality of opportunity for all in their access to basic resources, education, health services, food, shelter, employment and infrastructure. Moreover, this National Petroleum Policy shall ensure that the entire property in Petroleum, in, under or upon any land or waters in Malawi are vested in the Republic and shall be managed sustainably for the benefit of the present and future generations.

#### **Malawi 2063**

Chapter 3, under Pillar 2 of the Malawi 2063, postulates that: “Malawi shall have a vibrant knowledge-based economy with a strong manufacturing industry driven by productive and commercially vibrant agriculture and mining sector.” The mining sector, in this regard includes the budding oil and gas sub-sector in the country. Accordingly, it is envisioned that significant contribution to the national economy by agriculture and mining will be achieved through diversification, value addition and competitiveness by increasing the transformation of raw materials in the agriculture and mining sectors into high value products largely for export and the creation of employment, including employment for skilled and unskilled youth. This ties very well with the main objective of this National Petroleum Policy which seeks to promote

sustainable development, utilization and management of petroleum resources for national socio-economic growth and development.

## **Legislations**

This Policy shall be implemented taking into account the existing legislation on Petroleum related issues including: The Liquid Fuels and Gas (Production and Supply) Act 2004, the Environment Management Act 2017, Mines and Minerals Act 2018, National Forestry Act 1997, Water Resources Act 2013, Gender Equality Act 2015, Land Act 2016, Tourism Act 1970 and National Parks and Wildlife Act 1994.

## **National Energy Policy 2018**

The National Energy Policy 2018 (NEP 2018) recognises biomass as having the biggest share in the current energy mix at 89 percent. The NEP 2018 therefore aims at reducing the contribution of biomass in the energy mix by promoting development and use of modern energy sources such as Electricity from both Non-Renewable and Renewable Sources; Petroleum Fuels; Biofuels; Liquefied Petroleum Gas; Biogas and Natural Gas.

Under the NEP 2018, the Petroleum industry in Malawi has two principal parts, namely, the upstream and downstream. The upstream covers exploration, production and refining of Crude Oil while supply logistics and marketing Petroleum fuel products are under downstream. The NEP 2018 seeks to ensure there is adequate production and supply of petroleum at affordable prices and for energy security purposes. Accordingly, the NPEPP purpose of facilitating petroleum exploration and production in Malawi is aligned with the aspirations of the NEP 2018.

## **National Environmental Policy 2004**

The National Environmental Policy 2004 provides an overall structure against which relevant sectoral environmental policies can be reviewed to ensure that the policies are consistent with the principles of sustainable development. The National Environmental Policy ensures that the development of the country's petroleum resources takes place within a framework of sustainable utilization of natural resources and management of the environment. In this context, it must be recognised that the development of the upstream petroleum subsector is committed to minimise the disruption to the environment during exploration and exploitation. This policy will therefore ensure that environmentally sustainable Petroleum exploration and exploitation practices which are consistent with international standards are pursued.

### **National Gender Policy 2015**

Gender considerations are important in planning and implementation of different economic policies and development programmes. The National Gender Policy, under the priority areas of “environment, climate change and management; and gender and economic development” expect all economic sectors to ensure integration of gender in Environmental Impact Assessments (EIAs) and when designing and implementing various economic and development policies and programmes. Just like all other sectors, the upstream petroleum subsector is expected to contribute to the achievement of these priority areas under which there is a call to mainstream gender in national development budgets, policies, plans, strategies and programmes.

### **National HIV and AIDS Policy 2013**

Exploration and exploitation of petroleum resources is associated with a number of social challenges that need to be taken into consideration. Such challenges include HIV and AIDS. The National HIV and AIDS Policy 2013 requires implementation of comprehensive workplace HIV and AIDS interventions that target highly mobile groups. In this regard, workers in petroleum development projects would fall under this category. Therefore, mainstreaming HIV and AIDS awareness in the upstream petroleum subsector is necessary for purposes of developing HIV and AIDS prevention measures to protect women and men according to their specific vulnerabilities; minimizing disruptions to critical health and treatment services; and to generally prevent, mitigate and monitor HIV and AIDS risks in Petroleum development projects.

### **Mines and Minerals Policy 2013**

The Mines and Minerals Policy recognises the importance of the country’s participation in other global and regional initiatives such as the Kimberly process and the Extractive Industries Transparency Initiative (EITI) that address mineral sector issues and concerns. Considering that Malawi is a member of EITI, the country’s Fiscal Regime will be commensurate with adopted EITI principles and other international best practices. All companies / entities should comply with International Financial Reporting and Audit Standards consistent with best practices and General Accepted Accounting, Auditing and Reporting Standards. Like other extractive industries, the upstream petroleum subsector development processes will be transparent and subject to rules, criteria, procedures and principles that are in accordance with international best practice such as those prescribed in the EITI. Government and other stakeholders in the upstream petroleum subsector will therefore participate in the EITI, as they currently do in other sectors.

### **National Forestry Policy 1996**

In Malawi, 96.7 percent of the population use firewood and charcoal (biomass) for cooking. Despite their importance, forests are declining at a rapid rate due to deforestation. Use of biomass as a source of energy (household cooking) is one of the major drivers of deforestation. The National Forestry Policy therefore recognises the importance of managing and utilizing forest resources in a sustainable manner so as to tackle deforestation challenges. The use of biomass as source of energy which is a downstream product of forests is being discouraged. In this regard, the development of the upstream petroleum subsector will contribute to the realization of the National Forestry Policy aspirations through provision of petroleum fuels as alternative energy source, and in particular, Natural Gas as a cleaner energy source.

### **National Climate Change Management Policy 2016**

Many sectors that are critical for social and economic development of Malawi are negatively affected by climate change. The National Climate Change Management Policy guides the country to respond and manage climate change. The Policy calls for integration of climate change into planning, development, coordination and monitoring of key relevant sectors of which the upstream petroleum subsector is one of them. The National Climate Change Management Policy is promoting adaptation and mitigation measures to climate change that will also benefit the upstream petroleum subsector. In furtherance to national and global efforts to reduce emissions of greenhouse gases and protect the environment and considering the fact that Natural Gas is a valuable resource, Government shall maintain a policy of no flaring or venting of Natural Gas, except for testing and for safety reasons.

### **National Industrial Policy 2016**

The National Industrial Policy aims at creating a conducive Gross Domestic Product (GDP) growth path by ensuring industrialization and structural transformation of the Malawian economy by coordinated policy efforts in order to address key constraints and increase the productive capacity of the industry. The policy recognises that the country's energy supply is generally limited and inconsistent. In order to achieve its growth potential, Malawi needs more and better access to energy to sustain industrial development. The development of the upstream petroleum subsector will therefore contribute to the achievement of the Industrial Policy objectives.

### **National Trade Policy 2016**

Malawi faces an unsustainable trade deficit due mainly to narrow productive base and weak domestic and international trade linkages and systems as well as a concentrated export base, creating volatility in Malawi's export earnings. Tobacco dominates

Malawi's export basket, accounting for 50% of Malawi total exports (exceeding 60% in some years); mining at 11%, sugar at 9%, coffee and tea at 8% and oil seeds at 7%. The National Trade Policy, therefore, aims at driving structural transformation of the productive sector through supporting and managing integration in regional and global markets as well as value chains with the ambition of increasing exports. Due to the high potential of Petroleum resources and Natural Gas for export and domestic use as a clean energy source, Government shall provide incentives for its utilization and an effective revenue management framework to prevent its negative impact (Dutch disease) on non-petroleum exports. The development of the upstream petroleum subsector will, if well managed, therefore, contribute to the expansion and strengthening of the exports sector and support the Buy Malawi Strategy as well.

### **National Wildlife Policy 2018**

The National Wildlife Policy aims at conserving and managing Malawi's wildlife resources for sustainable development of the country. The policy also acknowledges that prospecting and or mining decisions for any protected area ought to be considered in line with the principles of sustainable development based on scientific understanding within the legal framework taking into account the opinions of and consequences for local communities. This is also in line with the aspirations of the NPEPP.

### **African Mining Vision**

The African Mining Vision advocates for a resource-based African industrialisation and development strategies that are rooted in the utilisation of Africa's significant resource assets to catalyse diversified industrial development, as was successfully implemented by several erstwhile resource-based economies in the developed world. In this regard, the development of the NPEPP is one of the instruments to ensure industrial development through attracting and securing investment in the upstream petroleum subsector.

### **Agenda 2063**

Agenda 2063 states that Africa shall be an integrated, united, sovereign, independent, confident and self-reliant continent where the free movement of people, capital goods and services will result in significant increases in trade and investments among African countries to unprecedented levels. It also states that by 2063 the necessary infrastructure will be in place to support Africa's accelerated integration, growth, technological transformation, trade and development. In this regard, the development of the Policy will contribute to the creation of an independent and self-reliant

continent as well as enhance trade, investments, integration, growth and development in the upstream petroleum subsector.

## **2. BROAD POLICY DIRECTIONS**

### **2.1 Policy Goal**

The main goal of the Policy is to attract and secure investment in upstream exploration activities, and effectively regulate an upstream petroleum subsector that will contribute to the sustainable economic development of the country for the benefit of its people.

### **2.2 Policy Outcomes**

- a) Increased revenue from the upstream petroleum subsector through widening of the tax base and narrowing of the trade deficit.
- b) Improved governance in the management of the upstream petroleum subsector.
- c) Improved public awareness of the upstream petroleum subsector operations.
- d) Accrued optimum benefits from the upstream petroleum operations.
- e) Improved environmentally sustainable operations in the upstream petroleum subsector.
- f) Increased local participation in the entire value chain of the upstream petroleum subsector.

### **2.3 Policy Objectives**

- a) To increase investment in Malawi's upstream petroleum subsector.
- b) To strengthen the legal and regulatory frameworks for upstream petroleum subsector development.
- c) To increase institutional and human capacity in the upstream petroleum subsector.
- d) To institutionalise and promote transparency in the administration of the upstream petroleum operations.
- e) To ensure maximum and direct benefits to locals from the upstream petroleum subsector activities.
- f) To maximise revenue generated from the upstream petroleum subsector.
- g) To ensure sustainable exploration and exploitation of petroleum resources.

## **2.4 Policy Guiding Principles**

- a) Good governance for upstream petroleum sector.
- b) Promotion of balanced fiscal regime – the need for the country to obtain a fair share of petroleum revenues while sustaining interest in upstream activities by investors.
- c) Promotion of good revenue management – stabilization of the local economy as well as setting aside resources for future generations.
- d) Environmental sustainability – protection of the environment by promoting environmentally friendly practices.
- e) Maximization of local content – encouragement of responsible corporate citizenship and promotion of local participation.
- f) Managing public expectation – provision of relevant information to the public on developments taking place in the industry in a timely and most effective manner.
- g) Resource ownership – sustainable management of petroleum resources to ensure that they benefit the present and future generations.

## **3. POLICY PRIORITY AREAS**

This Policy has identified Governance, Fiscal Regime, Revenue Management, Environmental Management, Corporate Social Responsibility and Community Development Agreements, Local Content and Social Issues, Resource Ownership, Data Management, License and Contract Management, Regional and International Cooperation, and Cross cutting issues as priority areas for actions as presented below:

### **3.1 Governance**

Upstream petroleum governance refers to existence and enforcement of the legal and regulatory frameworks, human and institutional capacity development as well as stakeholder coordination in the subsector. The current institutional setup for the upstream petroleum subsector is facing a lot of challenges in terms of management, operational and functional performances. Policy guidance is needed on the principles that will underpin the institutional structure for proper management of the upstream petroleum subsector in Malawi. In particular, a clear policy guidance is required on the role that the National Oil Company of Malawi (NOCMA) is expected to play in the upstream petroleum subsector to facilitate its effective participation. Beside the unclear roles of the existing institutions, the office bearers within the institutions lack

basic training in the upstream petroleum subsector. In this case, significant training and other capacity building efforts coupled with development of legal and regulatory instruments have to be undertaken. Similarly, the public perceives exploitation of Oil and Gas as detrimental to the environment.

The perceived importance and benefits of petroleum activities in the country have raised significant expectations in the public. Experience from other countries has shown that the absence of a well thought out and deliberate communication strategy for the sector can result in misinformation, raise public anxieties, undermine public safety and contribute to increased investment risks.

### **Policy Statements**

- i. Government will ensure that there is improved coordination and collaboration between stakeholders involved in the governance of the upstream petroleum subsector.**

#### **Strategies**

- a) Creating inter-ministerial working group to ensure coordination.
- b) Creating a multi-sectoral working group that will be responsible for policy and legislative development processes as well as contract negotiations with Petroleum companies.

- ii. Government will strengthen capacity of the relevant Ministries, Departments and Agencies (MDAs) in the upstream petroleum subsector.**

#### **Strategies**

- a) Undertaking immediate training and other capacity building efforts in the subsector.
- b) Developing curriculum on the upstream petroleum sub-sector for institutions of high learning in the country.

- iii. Government will ensure that there are updated and effective upstream petroleum legislative and regulatory frameworks.**

#### **Strategies**

- a) Revising the Petroleum (Exploration and Production) Act including the subsidiary legislations and model Petroleum Agreements to incorporate specific requirements and obligations.
- b) Developing specific provisions for the treatment of commercial Oil and Gas discoveries in the Petroleum (Exploration and Production) Act and Regulations, licenses, and model Petroleum Agreements.
- c) Incorporating specific schedules for costs, allowances and deductions in the Taxation Act.
- d) Harmonising the Petroleum legislation with other existing laws.

**iv. Government will ensure improvement in public perception on governance of the upstream petroleum subsector.**

**Strategies**

- a) Participating actively in transparency initiatives in the extractive industry.
- b) Establishing a clear mechanism for making upstream petroleum contracts accessible.
- c) Establishing a stakeholder engagement system on local Petroleum operations.
- d) Including transparency provisions in the new Petroleum law.
- e) Educating the public on the upstream petroleum subsector.

**v. Government will provide for a streamlined institutional structure to enhance transparency and accountability in the governance of the upstream petroleum subsector in Malawi.**

**Strategies**

- a) Providing for clear separation of policy, regulatory, and commercial functions in the Petroleum law in a manner that provides for checks and balances, and avoid potential conflicts of interest in the governance of the upstream petroleum sub sector.
- b) Establishing institutional structure in the Petroleum law that takes into account the current infant nature of the Malawi's upstream petroleum sub sector development and limited financial and human resources in responsible Government institutions.

- c) Providing for NOCMA to have mandate over commercial and operational activities on behalf of the Government of Malawi, in the upstream petroleum subsector.
  - d) Ensuring that government's participation is pegged at 10 percent free carry interest and maximum of 20 percent paid capital.
- vi. Government will ensure that the public is informed of relevant developments in the industry in a timely and effective manner.**

### **Strategies**

- a) Providing reliable and timely information about the activities in the sector to address false expectations and pre-empt the dissemination of false or unfounded information about petroleum operations.
- b) Engaging all stakeholders including local communities, CSOs, the broader public, central and local Government, Parliament, Oil companies, private sector and the business community, as and when necessary, to address matters of concerns.
- c) Developing a communication strategy.

## **3.2 Fiscal Regime**

The main goal of an upstream petroleum fiscal regime is to establish an optimal balance between attracting and sustaining upstream petroleum subsector investment on one hand, and capturing for the Government a fair share of the revenue generated by such investment on the other hand. This is predicated upon general taxation principles such as simplicity, neutrality, stability, guarding against tax avoidance, and equity. Other more specific principles linked to the particular nature of the extractive industries business include reducing the front-end burden and promoting fiscal progressivity.

The Government of Malawi is conscious of the numerous types of petroleum fiscal systems ranging from royalty/tax system to production sharing system (such as a production sharing agreement – PSA), including their features, merits and demerits. The Government however, chose the PSA system as one of the main features of the fiscal regime for the upstream petroleum operations in Malawi.

The main strengths of the fiscal regime are that:

- a) The fiscal system imposes relatively few front-end taxes on licensees;
- b) The Petroleum royalty provides Malawi with a guarantee of revenue from the start of production;
- c) The fiscal regime does not have fiscal impositions that would negatively distort investment decisions; and
- d) The regime already includes reporting requirements, accounting principles and rules to prevent transfer pricing in addition to the provisions in the Prospecting Licence which expose the risk of transfer pricing.

## **Policy Statement**

**Government will ensure a progressive fiscal regime.**

### **Strategies**

- a) Developing a standard fiscal regime for upstream petroleum operations which attracts investment and generates adequate revenue for the people of Malawi.
- b) Harmonising upstream petroleum fiscal terms across all licences and agreements.
- c) Reducing the number of fiscal elements open to negotiations.
- d) Implementing an objective criteria and an open and transparent decision-making process.
- e) Creating in-built progressive mechanisms in the fiscal regime.
- f) Imposing arms-length rule to minimise the risk to Government revenue loss.

## **3.3 Revenue Management**

Compared to other sectors such as manufacturing and consumer goods, an upstream petroleum producing field, if large enough, can generate significant revenue that may exceed the absorptive capacity of the national economy. This is due to a number of factors, amongst which is the comparatively significant economies of scale from this industry compared to manufacturing or consumer goods. The introduction into the national economy of such significant revenues has the potential to distort the economy in a number of ways. In recognition of this phenomenon, there is growing focus on developing specific policy measures to mitigate the potentially distorting effects of such revenues on the economy. The aim of such policy measures would typically be (i) to minimize any potential negative effect on the management of the economy and on public spending in particular (resulting from revenue fluctuations); (ii) generate an alternative stream of income to support public expenditure in the long run; (iii)

mandate transparency and accountability in the collection, management and use of petroleum revenue and fiscal policy.

## **Policy Statement**

**Government will ensure sustainable utilisation of revenues from the upstream petroleum subsector.**

### **Strategies**

- a) Facilitating efficient collection of revenue.
- b) Establishing a designated petroleum account for collecting all Petroleum revenues and other designated accounts for proper revenue management.
- c) Developing a monitoring and reporting mechanism for both petroleum production and pricing.

## **3.4 Environmental Management**

Lake Malawi, which happens to be the main prospective basin for Oil and Gas, is a fresh water body which boasts between 500 – 1,000 species of fish. Fish is a source of animal protein for 75 percent of the population in Malawi. The Southern part of Lake Malawi, which is a National Park, was declared a World Heritage Site in 1984.

Petroleum exploration and production operations, whether onshore or offshore, can potentially cause a variety of negative impacts on the environment. The nature, severity and duration of such impacts often depend on such factors as the stage of the exploration and production life cycle, the size and complexity of the project and the nature and sensitivity of the surrounding environment such as the Lake Malawi. Such impacts include atmospheric emissions, operational discharges, accidental discharges, and physical impacts (e.g. impacts of pipeline laying and construction, physical damage of the seabed from drilling, impacts on marine life and impacts of decommissioning). An Oil spill could take a long time to be drained out of Lake Malawi.

It is important to recognise that petroleum activities, especially at the production stage, could have some effects on the aquatic environment which can affect the fisheries industry as well as the tourism industry. It is therefore, important that the policy should promote positive impacts of the petroleum activities and ensure that efforts are made to mitigate any negative effects.

The Policy endorses the universally accepted international principles for sound environmental risk management, including the “polluter pays principle”. Stiff penalties for environmental pollution and damage will, therefore, have to be developed.

### **Policy Statement**

**Government will ensure that all activities in exploration and exploitation of petroleum are undertaken in a manner that protects people’s health, safety and the environment.**

### **Strategies**

- a) Facilitating the incorporation of upstream petroleum issues in the National Environmental Policy.
- b) Revising environmental management issues in the Petroleum law.
- c) Revising environmental management regulations pursuant to the Petroleum (Exploration and Production) Act.
- d) Preparing health and safety regulations pursuant to the Petroleum (Exploration and Production) Act.
- e) Creating specific financial and technical measures to cater for environmental damages arising from upstream petroleum operations.
- f) Developing a community engagement strategy.
- g) Developing an Environmental Performance Bond in all petroleum contracts.
- h) Establishing a regulatory scheme under which licensees will bear the full responsibility and costs of decommissioning and abandonment of Petroleum operations.

### **3.5 Corporate Social Responsibility and Community Development Agreements**

There has been renewed call by policy makers, Civil Society Organisations (CSOs), communities and companies to ensure sustained development of the communities impacted by the extractive industry. Communities and CSOs have become more vocal in expressing their expectations regarding the benefits of the extractive industry to the communities. On the other hand, companies have been concerned about the need to have a social licence to operate with support from the local community. This has necessitated companies to either implement projects to benefit the affected communities on a voluntary basis as part of their Corporate Social Responsibility

(CSR) or sign a Community Development Agreement (CDA) on what they will do for the impacted communities.

Companies, through CSR and CDA activities, contribute to infrastructure development such as education and health facilities, electricity and water projects; and capacity building, and provision of other needs in adjoining communities.

## **Policy Statement**

**Government will ensure that Qualified Communities get optimum benefits from petroleum operations.**

### **Strategies**

- a) Incorporating CSR and CDA requirements in the Petroleum legislation.
- b) Instituting mechanisms for compliance to CSR and CDA obligations.
- c) Contractually require Government approval of company CSR and CDA programmes.
- d) Developing minimum requirements for CSR.
- e) Harmonising the minimum CSR and Local Content Requirements.
- f) Sensitising local communities on the companies' responsibilities.

## **3.6 Local Content**

In addition to revenue from the upstream petroleum subsector, the country will also benefit through local content, involving training and employment of citizens, development of local companies to service the petroleum companies, local financing as well as knowledge and technological transfer.

Petroleum companies, when purchasing goods and services for their operations, will be required to give first preference, at comparable quality, delivery schedule and price, to goods produced locally in Malawi and services provided by Malawian citizens or businesses, subject to technical acceptability and availability of the relevant goods and services in the country.

## **Policy Statements**

- i. Government will ensure that Malawians benefit from upstream petroleum operations.**

### **Strategies**

- a) Promoting participation of Malawians and Malawian companies in petroleum exploration and exploitation (including citizen ownership interest and entrepreneurship, citizens' employment, and local suppliers of goods and services).
  - b) Facilitating training of eligible Malawians in petroleum exploration and exploitation.
- ii. Government will ensure that Petroleum companies give first preference to local service providers when purchasing goods and services for their operations.**

### **Strategies**

- a) Including local content requirements in Petroleum legislation and contracts.
- b) Strengthening institutional arrangements for administration of local content.
- c) Introducing local content guidelines.

## **3.7 Resource Ownership**

The development of the upstream petroleum subsector has potential to provide significant financial resources. The policy principles for resource governance recognize that petroleum deposits within Malawi's territorial borders belong to the Republic and not to any one person or group of persons. Private property rights do not extend to ownership of petroleum deposits. However, private land owners shall be justly compensated for the use or expropriation of their land for development of the Oil and Gas sector. The natural resources of Malawi, including Oil and Gas, shall be managed by the Government to advance the economic development of Malawi and contribute to the general welfare of the Malawian people for present and future generations.

### **Policy Statement**

**Government will ensure that petroleum operations are sustainably managed and the benefits derived from them are enjoyed by present and future generations of Malawians.**

### **Strategies**

- a) Stewarding of petroleum resources by Government, on behalf of the people of Malawi.
- b) Contracting the right to explore, develop, and produce petroleum to companies with the technical and financial capacity to execute their responsibilities.
- c) Issuing of licenses in line with the laws of Malawi and international best practice.
- d) Partnering with international oil companies where the maximum benefit accrues to the people of Malawi.
- e) Adopting a consultative approach towards key decision making.
- f) Facilitating development of an appropriate revenue management mechanism.

### **3.8 Data Management**

Improved the geology knowledge of a region and access to data can lead to increased investment and exploration. For the infant upstream petroleum sub sector like Malawi, improved knowledge of the geology and prospectivity of the country is of critical importance for its development.

#### **Policy Statement**

**Government will improve the knowledge of the prospectivity and geology of Malawi and access to data by investors and the public.**

#### **Strategies**

- a) Partnering with leading research institutions to improve the knowledge of the geology and prospectivity of Malawi and to acquire further information.
- b) Establishing a system, process and legal framework for the issuing of appropriate licenses to encourage and manage the gathering of data.
- c) Establishing mechanisms to ensure that there is accurate reporting of petroleum data by companies including ensuring meaningful involvement of Government representatives in data gathering and analysis on research vessels operated by petroleum companies.
- d) Creating an updated data package prior to each bidding round and regularly update the data package.
- e) Reviewing all relevant laws and regulations to ensure that they provide a clear framework for the collection, ownership and management of data on Malawi's prospectivity and for ensuring that all data, samples and records

obtained from petroleum operations and research are promptly submitted to, and owned by, the Government.

- f) Ensuring that appropriate institutions are able to monitor the effective collection and safe storage of Petroleum data.
- g) Publicising data that is of public interest taking into consideration the commercial interests of the Government and any contractual obligations of the Government towards any party.

### **3.9 License and Contract Management**

The Government recognises that given its nascent stage; increased exploration investment is critical to the development of the upstream petroleum subsector in Malawi. Government, therefore, has a responsibility to ensure that companies granted exploration licenses in Malawi are committed to, and capable of undertaking significant exploration activity. International evidence suggests that a competitive bidding process can, in areas of relatively high prospectivity, result in superior returns to the Government. However, in light of challenging investment environment for petroleum exploration, and the need to promote more investment in Malawi's upstream petroleum subsector from major international oil companies, a flexible bidding process that follows international standards may be more appropriate than relying only on a single process of international competitive tendering. While competitive tendering process will be the main approach, direct negotiation where appropriate may be considered as a practical option under pre-defined, objective and transparent criteria.

#### **Policy Statements**

- i. Government will develop detailed procedures and systems for ensuring that only Oil companies with the requisite qualifications and a clear intent to undertake significant exploration activity are granted Petroleum licenses.**

#### **Strategies**

- a) Establishing licensing criteria that include prequalification requirements for prospective applicants for a Petroleum licence and criteria for the award of Blocks by direct negotiation.
- b) Reviewing existing Government's processes, systems and laws for awarding licenses.

- c) Establishing an institutional arrangement for granting licences, which provides for effective and efficient administration and interagency coordination.
- d) Developing and regularly reviewing a model Contract Agreement for the upstream petroleum sub sector.

**ii. Government will ensure a transparent and fair licensing process based on pre-determined and transparent criteria.**

**Strategies**

- a) Developing and implementing standard guidelines for the application and granting of petroleum licences.
- b) Establishing a Petroleum register for the publication of each application for and award of a licence.
- c) Establishing licensing criteria that are as objective as possible and that can lead to predictable outcomes.
- d) Develop a framework for engaging with the public, especially potentially affected communities to publicise proposed licensing rounds.

**iii. Government will ensure that transfer of licenses or contracts, ownership interests and operatorship are properly guided.**

**Strategies**

- a) Conducting due diligence in the payment of transfer fees.
- b) Reviewing and implementing clear transfer rules to ensure predictability and certainty.
- c) Requiring full disclosure of all persons having beneficial interests in licenses or petroleum contracts.

### **3.10 Regional and International Cooperation**

Lake Malawi, which holds the greatest potential for petroleum discoveries in the country is bounded by Tanzania in the north and north-east and Mozambique in the east. For the efficient utilisation of petroleum fields that fall across the border, there will be need for cooperation between the two countries. Previously a Memorandum of Understanding (MoU) between Malawi and Mozambique was prepared whose scope

of cooperation included exchange of geological information, and petroleum exploration and production data from each country particularly along the border areas. Mozambique owns part of Lake Malawi and already demarcated Blocks for Oil and Gas exploration on its side. As such, there is need for the two countries to engage each other and come up with means which will strengthen their cooperation and promote petroleum operations in both countries.

Further, sales of the country's petroleum may require discussions or entry into agreements with foreign countries and consultations with neighbouring countries for access where transport corridors like pipelines may need to cross borders.

### **Policy Statement**

**Government will ensure that Malawi has access to international markets for petroleum at all times.**

### **Strategies**

- a) Strengthening relationships with neighbouring countries wherever petroleum fields transcend borders.
- b) Strengthening relationships with other countries with common interests in the upstream petroleum subsector.
- c) Developing transport corridors to access sea ports and markets abroad.

### **3.11 Cross Cutting Issues**

Petroleum exploration and development activities are often associated with adverse socio-economic and environmental challenges that need to be taken into consideration to minimise their negative impacts on the communities and the environment.

Common socio-economic challenges relate to gender, human rights, nutrition, HIV and AIDS issues; and environmental challenges include climate change. Petroleum operations can have unintended negative impacts on the health and safety of people as well as the environment. Appropriate safeguards are needed to avoid or mitigate the negative impacts. This Policy establishes and enforces safeguards that are consistent with responsible petroleum operations based on internationally accepted norms.

## **Policy Statements**

- i. Government will ensure that gender, human rights, nutrition, HIV and AIDS issues are mainstreamed in all upstream petroleum operations.**

### **Strategies**

- a) Facilitating the development of nutrition, HIV and AIDS workplace policies.
- b) Facilitating engendering of all strategic documents of companies operating in the upstream petroleum sub sector.
- c) Monitoring and protecting human rights in the upstream petroleum sub sector.

- ii. Government will ensure that regulations on occupational health and safety of people involved in petroleum operations are developed, implemented and monitored.**

### **Strategies**

- a) Prescribing regulations governing occupational health and safety in the upstream petroleum sub sector.
- b) Establishing technical standards for the sub sector.
- c) Collaborating with industry stakeholders to facilitate the management of governing occupational health and safety in the upstream petroleum sub sector
- d) Providing education on health and safety to the public.
- e) Administering and monitoring operations in the upstream petroleum sub sector to ensure compliance to required standards.

- iii. Government will ensure a reduction in the contribution of the upstream petroleum subsector to climate change.**

### **Strategies**

- a) Facilitating the development of climate change workplace policies.
- b) Collaborating with industry stakeholders to facilitate the management of climate change issues in the upstream petroleum subsector.

## **4. IMPLEMENTATION ARRANGEMENTS**

Outlined below is how this Policy will be implemented, and this includes institutional arrangements, implementation plan, and monitoring and evaluation plan.

### **4.1 Institutional Arrangements**

The Government recognises the importance of stakeholders and partnerships in implementation of the Policy. The stakeholders include Ministries, Departments, Agencies, Development Partners, Academic and Research Institutions, the Private Sector, CSOs, Non-Governmental Organisations (NGOs), Faith-based Organisations, and the Communities. Some of the stakeholders and their responsibilities have been highlighted as follows:

#### **Office of President and Cabinet**

The Office of President and Cabinet will be responsible for provision of guidance in the development and review of the Policy and participating in negotiation of contracts with the private sector. It will also be responsible for monitoring the implementation of the Policy.

#### **National Assembly**

The Assembly will be responsible for tabling and passing all Petroleum related legal and regulatory frameworks.

#### **Ministry responsible for Petroleum**

The Ministry will be responsible for provision of oversight and strategic leadership, policy direction and interpretation, implementation, coordination, resource mobilisation, capacity building and monitoring and evaluation of Petroleum programmes, projects and activities.

#### **Ministry responsible for Forestry**

The Ministry will be responsible for provision of access to petroleum sites that are situated in forest reserves.

#### **Ministry responsible for National Parks and Wildlife**

The Ministry will be responsible for provision of access to petroleum sites that are situated in all protected areas that fall under its jurisdiction.

### **Ministry responsible for Lands**

The Ministry will be responsible for facilitating acquisition of land, topographic surveying services, leasing and assessment of compensations for land allocated to petroleum projects.

### **Ministry responsible for Environment**

The Ministry will be responsible for ensuring that every project requiring an Environmental and Social Impact Assessment (ESIA) including petroleum projects have such assessment and strictly adhere to any impact mitigation measures.

### **Ministry responsible for Finance**

The Ministry will be responsible for mobilisation of financial resources for petroleum interventions, including resources from development partners and international lending institutions. It will also be responsible for tax related petroleum taxation reforms under relevant tax legislation including the Taxation Act.

### **Ministry responsible for Justice and Constitutional Affairs**

The Ministry will be responsible for drafting legislation that support petroleum interventions and vetting agreements.

### **Ministry responsible for Trade**

The Ministry, through Malawi Investment and Trade Centre, will be responsible for attracting private sector investments in the upstream petroleum subsector.

### **Ministry responsible for Water Resources**

The Ministry will be responsible for regulating use of water resources for petroleum operations.

### **Ministry responsible for Foreign Affairs and International Cooperation**

The Ministry will be responsible for discussions or entry into agreements with any foreign countries.

### **Ministry responsible for Gender**

The Ministry will be responsible for ensuring that gender related issues are incorporated in all petroleum operations.

### **Ministry responsible for Community Development**

The Ministry will be responsible for working hand in hand with the Ministry responsible for petroleum in facilitating implementation of CSR and CDA projects in areas where Petroleum operations are taking place.

### **Ministry responsible for Labour**

The Ministry will be responsible for ensuring that issues of occupational health and safety and other labour related cases in petroleum operations are dealt with in an effective and efficient manner.

### **Ministry responsible for Defence Force**

The Ministry will be responsible for working hand in hand with the Ministry responsible for petroleum in curbing illegal exploration and exploitation as well as smuggling of petroleum resources.

### **Ministry responsible for Education**

The Ministry will be responsible for supporting training of Malawians in petroleum related programs and introduction of Petroleum related curricula in local academic institutions.

### **Ministry responsible for Homeland Security**

The Ministry will be responsible for working hand in hand with the Ministry responsible for petroleum in curbing illegal exploration and exploitation as well as smuggling of petroleum resources.

### **Ministry responsible for Information**

The Ministry will be responsible for ensuring that reliable and timely information about activities in the upstream petroleum subsector is disseminated to address false expectations and pre-empt the dissemination of false or unfounded information about Petroleum operations.

### **Ministry responsible for Transport and Infrastructure Development**

The Ministry will be responsible for development of transport infrastructure to access sea ports and markets abroad.

### **Malawi Revenue Authority**

Malawi Revenue Authority (MRA) will be responsible for designing effective ways of collecting revenue in the upstream petroleum subsector and ensure that Oil companies adhere to mechanisms put in place for revenue collection.

### **Department Responsible for Nutrition, HIV and AIDS**

The Department will be responsible for ensuring that all health related issues including nutrition, HIV and AIDS in Petroleum operations are taken into account for continuity of the sub sector in Malawi.

### **Academic and Research Institutions**

These institutions will be responsible for conducting rigorous research and disseminate findings as conceived in the Policy.

### **Civil Society Organisations**

CSOs will collaborate with the Government to advocate for and implement petroleum specific interventions especially CSR and local content.

### **Private Sector**

Private sector will complement Government's effort in exploration and development of petroleum projects.

### **Development Partners**

Development Partners will support the Government and other organisations by providing human and financial resources for development interventions. It is expected that they will continue financing and co-financing Petroleum interventions.

## **4.2 Implementation Plan**

To ensure effective implementation of this Policy, a detailed implementation plan has been developed and is attached as Annex 1. The Plan provides linkages between the Policy goal and objectives on one hand and strategies and institutions responsible for

implementing those strategies on the other hand. It also includes a time frame for the implementation of each strategy.

#### **4.3 Monitoring and Evaluation Plan**

The implementation of this Policy requires an effective and efficient monitoring and evaluation system to measure progress and provide feedback on implementation challenges and gaps. A detailed Monitoring and Evaluation plan of this Policy with appropriate performance indicators, outputs and targets is attached as Annex 2.

#### **4.4 Policy Review**

This Policy shall be reviewed every five (5) years to incorporate emerging issues.

## ANNEX 1: IMPLEMENTATION PLAN

<b>POLICY PRIORITY AREA 1: GOVERNANCE</b>			
<b>Policy Statement 1.1: Government will ensure that there is improved coordination and collaboration between stakeholders involved in the governance of the upstream petroleum subsector.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To increase institutional and human capacity in the upstream petroleum sub sector.	<ul style="list-style-type: none"> <li>• Creating inter-ministerial working group to ensure coordination.</li> <li>• Creating a multi-sectoral working group that will be responsible for policy and legislative development processes as well as contract negotiations with Petroleum companies.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Finance</li> <li>• Development Partners</li> <li>• CSOs</li> <li>• Private Sector.</li> </ul>	2023 – 2024
<b>Policy Statement 1.2: Government will strengthen capacity of the relevant Ministries, Departments and Agencies in the upstream petroleum subsector</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To increase institutional and human capacity in the upstream petroleum sub sector.	<ul style="list-style-type: none"> <li>• Undertaking immediate training and other capacity building efforts in the sub sector.</li> <li>• Including the capacity needs of the upstream petroleum sub sector in the curricula of institutions of higher learning in the country.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Education, Science and Technology</li> <li>• Malawi University of Science and Technology (MUST)</li> <li>• University of Malawi (UNIMA)</li> <li>• Lilongwe University of</li> </ul>	2023 – 2028

		Agriculture and Natural Resources (LUANAR)	
		<ul style="list-style-type: none"> <li>Mzuzu University (MZUNI)</li> </ul>	
<b>Policy Statement 1.3: Government will ensure that there are updated and effective upstream petroleum legislative and regulatory frameworks.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To strengthen the legal and regulatory frameworks for upstream petroleum sub sector development.	<ul style="list-style-type: none"> <li>Revising the Petroleum (Exploration and Production) Act including the subsidiary legislations and model Petroleum Agreements to incorporate specific requirements and obligations.</li> <li>Developing specific provisions for the treatment of commercial Oil and Gas discoveries in the Petroleum (Exploration and Production) Act and Regulations, licenses, and model Petroleum Agreements.</li> <li>Incorporating specific schedules for costs, allowances and deductions in the Taxation Act.</li> <li>Harmonising the Petroleum legislation with other existing laws.</li> </ul>	<ul style="list-style-type: none"> <li><b>Ministry responsible for Petroleum</b></li> <li>Ministry responsible for Justice and Constitutional Affairs</li> <li>National Assembly.</li> </ul>	2023 – 2028
<b>Policy Statement 1.4: Government will ensure improvement in public perception on governance of the upstream petroleum subsector.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To institutionalise and promote transparency in the administration of the upstream petroleum operations.	<ul style="list-style-type: none"> <li>Participating actively in transparency initiatives in the extractive industry.</li> <li>Establishing a clear mechanism for making upstream petroleum contracts accessible.</li> <li>Establishing a stakeholder engagement system on local Petroleum operations.</li> </ul>	<ul style="list-style-type: none"> <li><b>Ministry responsible for Petroleum</b></li> <li>Ministry responsible for Finance</li> <li>Ministry of Justice and Constitutional Affairs</li> <li>Ministry responsible for</li> </ul>	2023 – 2028

	<ul style="list-style-type: none"> <li>• Including transparency provisions in new Petroleum law.</li> <li>• Educating the public on the upstream petroleum sub sector.</li> </ul>	<p>Information and Civic Education</p> <ul style="list-style-type: none"> <li>• Ministry responsible for Local Government and Rural Development.</li> </ul>	
<p><b>Policy Statement 1.5: Government will provide for a streamlined institutional structure to enhance transparency and accountability in the governance of the upstream petroleum subsector in Malawi.</b></p>			
Objective	Strategy	Responsibility	Time-frame
<p>To institutionalise and promote transparency in the administration of the upstream petroleum operations.</p>	<ul style="list-style-type: none"> <li>• Providing for clear separation of policy, regulatory, and commercial functions in the Petroleum law in a manner that provides for checks and balances, and avoid potential conflicts of interest in the governance of the upstream petroleum sub sector.</li> <li>• Establishing institutional structure in the Petroleum law that takes into account the current infant nature of the Malawi’s upstream petroleum sub sector development and limited financial and human resources in responsible Government institutions.</li> <li>• Providing NOCMA to have mandate over commercial and operational activities on behalf of the Government of Malawi, in the upstream petroleum subsector.</li> <li>• Ensuring that government’s participation is pegged at 10 percent free carry interest and maximum of 20 percent paid capital.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Finance</li> <li>• Ministry of Justice and Constitutional Affairs</li> <li>• NOCMA.</li> </ul>	<p>2023 – 2028</p>
<p><b>Policy Statement 1.6: Government will ensure that the public is informed of relevant developments in the industry in a timely and effective manner.</b></p>			

Objective	Strategy	Responsibility	Time-frame
To institutionalise and promote transparency in the administration of the upstream petroleum operations.	<ul style="list-style-type: none"> <li>• Providing reliable and timely information about the activities in the sector to address false expectations and pre-empt the dissemination of false or unfounded information about petroleum operations.</li> <li>• Engaging all stakeholders including local communities, CSOs, the broader public, central and local Government, Parliament, Oil companies, private sector and the business community, as and when necessary, to address matters of concerns.</li> <li>• Developing a communication strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Finance</li> <li>• Ministry responsible for Justice and Constitutional Affairs</li> <li>• Ministry responsible for Information.</li> </ul>	2023 – 2028
<b>POLICY PRIORITY AREA 2: FISCAL REGIME</b>			
<b>Policy Statement 2.1: Government will ensure a progressive fiscal regime</b>			
Objective	Strategy	Responsibility	Timeframe
To increase investment in Malawi’s upstream petroleum sub sector.	<ul style="list-style-type: none"> <li>• Developing a standard fiscal regime for upstream petroleum operations which attracts investment and generates adequate revenue for the people of Malawi.</li> <li>• Harmonising upstream petroleum fiscal terms across all licences and agreements.</li> <li>• Reducing the number of fiscal elements open to negotiations.</li> <li>• Implementing an objective criteria and an open and transparent decision-making process.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Finance</b></li> <li>• Ministry responsible for Petroleum</li> <li>• Malawi Revenue Authority.</li> </ul>	2023 – 2028

To ensure sustainable exploration and exploitation of Petroleum resources.	<ul style="list-style-type: none"> <li>• Creating in-built progressive mechanisms in the fiscal regime.</li> <li>• Imposing arms-length rule to minimise the risk to Government revenue loss.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Finance</b></li> <li>• Ministry responsible for Petroleum</li> <li>• Malawi Revenue Authority.</li> </ul>	2023 – 2028
<b>POLICY PRIORITY AREA 3: REVENUE MANAGEMENT</b>			
<b>Policy statement 3.1: Government will ensure sustainable utilisation of revenues from the upstream petroleum subsector.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To maximise revenue generated from the upstream petroleum sub sector.	<ul style="list-style-type: none"> <li>• Facilitating efficient collection of revenue.</li> <li>• Establishing a designated petroleum account for collecting all Petroleum revenues and other designated accounts for proper revenue management.</li> <li>• Developing a monitoring and reporting mechanism for both petroleum production and pricing.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Finance</b></li> <li>• Malawi Revenue Authority</li> <li>• Ministry responsible for Petroleum.</li> </ul>	2023 – 2028
<b>POLICY PRIORITY AREA 4: ENVIRONMENTAL MANAGEMENT</b>			
<b>Policy Statement 4.1: Government will ensure that all activities in exploration and exploitation of petroleum are undertaken in a manner that protects people’s health, safety and the environment.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure sustainable exploration and exploitation of Petroleum resources.	<ul style="list-style-type: none"> <li>• Facilitating the incorporation of upstream petroleum issues in the National Environmental Policy.</li> <li>• Revising environmental management issues in the Petroleum law.</li> <li>• Revising environmental management regulations</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for the Environment</b></li> <li>• Ministry responsible for Forestry and Natural Resources</li> <li>• Ministry responsible for National Parks and Wildlife</li> </ul>	2023 – 2028

	<p>pursuant to the Petroleum (Exploration and Production) Act.</p> <ul style="list-style-type: none"> <li>• Preparing health and safety regulations pursuant to the Petroleum (Exploration and Production) Act.</li> <li>• Creating specific financial and technical measures to cater for environmental damages arising from upstream petroleum operations.</li> <li>• Developing a community engagement strategy.</li> <li>• Developing an environmental performance bond in all Petroleum contracts.</li> <li>• Establishing a regulatory scheme under which licensees will bear the full responsibility and costs of decommissioning and abandonment of Petroleum operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry responsible for Petroleum</li> <li>• Ministry responsible for Labour</li> <li>• Ministry of Justice and Constitutional Affairs</li> </ul>	
<b>POLICY PRIORITY AREA 5: CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT AGREEMENTS</b>			
<b>Policy Statement 5.1: Government will ensure that surrounding communities get optimum benefits from upstream petroleum operations.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure maximum and direct benefits to locals from the upstream petroleum sub sector activities.	<ul style="list-style-type: none"> <li>• Incorporating CSR and CDA requirements in the Petroleum legislation.</li> <li>• Instituting mechanisms for compliance to CSR and CDA obligations.</li> <li>• Contractually require Government approval of company</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Local Government and Rural Development</li> <li>• Ministry responsible for Justice</li> </ul>	2023 – 2028

	<p>CSR and CDA programmes.</p> <ul style="list-style-type: none"> <li>• Developing minimum requirements for CSR.</li> <li>• Harmonising the minimum CSR and Local Content Requirements.</li> <li>• Sensitising local communities on the companies' responsibilities.</li> </ul>	and Constitutional Affairs.	
<b>POLICY PRIORITY AREA 6: LOCAL CONTENT</b>			
<b>Policy Statement 6.1: Government will ensure that Malawians benefit from upstream petroleum operations.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure maximum and direct benefits to locals from the upstream petroleum sub sector activities.	<ul style="list-style-type: none"> <li>• Promoting participation of Malawians and Malawian companies in petroleum exploration and exploitation (including citizen ownership interest and entrepreneurship, citizens' employment, and local suppliers of goods and services).</li> <li>• Facilitating training of eligible Malawians in petroleum exploration and exploitation.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry Responsible for Education</li> <li>• Ministry responsible for Labour.</li> </ul>	2022 – 2026
<b>Policy Statement 6.2: Government will ensure that petroleum companies give first preference to local service providers when purchasing goods and services for their operations</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure maximum and direct benefits to locals from the upstream petroleum sub sector activities.	<ul style="list-style-type: none"> <li>• Including local content requirements in all petroleum legislation and contracts.</li> <li>• Strengthening institutional arrangements for</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Trade</li> </ul>	2023 – 2028

	administration of local content. <ul style="list-style-type: none"> <li>• Introducing local content guidelines.</li> </ul>	<ul style="list-style-type: none"> <li>• Ministry responsible for Justice and Constitutional Affairs.</li> </ul>	
<b>POLICY PRIORITY AREA 7: RESOURCE OWNERSHIP</b>			
<b>Policy Statement 7.1: Government will ensure that petroleum operations are sustainably managed and the benefits derived from them are enjoyed by present and future generations of Malawians.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure sustainable exploration and exploitation of petroleum resources.	<ul style="list-style-type: none"> <li>• Stewarding of petroleum resources by Government, on behalf of the people of Malawi.</li> <li>• Contracting the right to explore, develop, and produce petroleum to companies with the technical and financial capacity to execute their responsibilities.</li> <li>• Issuing of licenses in line with the laws of Malawi and international best practice.</li> <li>• Partnering with international oil companies where the maximum benefit accrues to the people of Malawi.</li> <li>• Adopting a consultative approach towards key decision making.</li> <li>• Facilitating development of an appropriate revenue management mechanism.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Office of President and Cabinet</li> <li>• Ministry responsible for Finance</li> <li>• Ministry responsible for Justice and Constitutional Affairs</li> <li>• Ministry responsible for Lands</li> <li>• Private Sector.</li> </ul>	2023 – 2028
<b>POLICY PRIORITY AREA 8: DATA MANAGEMENT</b>			
<b>Policy Statement 8.1: Government will improve the knowledge of the prospectivity and geology of Malawi and access to data by investors and the</b>			

<b>public.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To ensure sustainable exploration and exploitation of petroleum resources.	<ul style="list-style-type: none"> <li>• Partnering with leading research institutions to improve the knowledge of the geology and prospectivity of Malawi and to acquire further information.</li> <li>• Establishing a system, process and legal framework for the issuing of appropriate licenses to encourage and manage the gathering of data.</li> <li>• Establishing mechanisms to ensure that there is accurate reporting of petroleum data by companies including ensuring meaningful involvement of Government representatives in data gathering and analysis on research vessels operated by petroleum companies.</li> <li>• Creating an updated data package prior to each bidding round and regularly update the data package.</li> <li>• Reviewing all relevant laws and regulations to ensure that they provide a clear framework for the collection, ownership and management of data on Malawi’s prospectivity and for ensuring that all data, samples and records obtained from petroleum operations and research are promptly submitted to, and owned by, the Government.</li> <li>• Ensuring that appropriate institutions are able to monitor the effective collection and safe storage of</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• E-Government</li> <li>• Research Institutions</li> </ul>	2023 – 2028

	<p>Petroleum data.</p> <ul style="list-style-type: none"> <li>Publicising data that is of public interest taking into consideration the commercial interests of the Government and any contractual obligations of the Government towards any party.</li> </ul>		
<b>POLICY PRIORITY AREA 9: LICENSE AND CONTRACT MANAGEMENT</b>			
<b>Policy Statement 9.1: Government will develop detailed procedures and systems for ensuring that only Oil companies with the requisite qualifications and a clear intent to undertake significant exploration activity are granted petroleum licenses.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To strengthen the legal and regulatory frameworks for upstream petroleum sub sector development.	<ul style="list-style-type: none"> <li>Establishing licensing criteria that include prequalification requirements for prospective applicants for a Petroleum licence and criteria for the award of Blocks by direct negotiation.</li> <li>Reviewing existing Government’s processes, systems and laws for awarding licenses.</li> <li>Establishing an institutional arrangement for granting licences, which provides for effective and efficient administration and interagency coordination.</li> <li>Developing and regularly reviewing a model Contract Agreement for the upstream petroleum sub sector.</li> </ul>	<ul style="list-style-type: none"> <li><b>Ministry responsible for Petroleum</b></li> <li>Ministry responsible for Finance</li> <li>Ministry responsible for Justice and Constitutional Affairs</li> <li>Ministry responsible for Lands.</li> </ul>	2023 – 2028
<b>Policy Statement 9.2: Government will ensure a transparent and fair licensing process based on pre-determined and transparent criteria</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To strengthen the legal and	<ul style="list-style-type: none"> <li>Developing and implementing standard guidelines for</li> </ul>	<ul style="list-style-type: none"> <li><b>Ministry responsible for</b></li> </ul>	2023– 2028

regulatory frameworks for upstream petroleum sub sector development.	<p>the application and granting of petroleum licences.</p> <ul style="list-style-type: none"> <li>• Establishing a Petroleum register for the publication of each application for and award of a licence.</li> <li>• Establishing licensing criteria that are as objective as possible and that can lead to predictable outcomes.</li> <li>• Develop a framework for engaging with the public, especially potentially affected communities to publicise proposed licensing rounds.</li> </ul>	<p><b>Petroleum</b></p> <ul style="list-style-type: none"> <li>• Ministry responsible for Finance</li> <li>• Ministry responsible for Justice and Constitutional Affairs.</li> </ul>	
<b>Policy Statement 9.3: Government will ensure that transfer of licenses or contracts, ownership interests and operatorship are properly guided.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>
To strengthen the legal and regulatory frameworks for upstream petroleum sub sector development.	<ul style="list-style-type: none"> <li>• Conducting due diligence in the payment of transfer fees.</li> <li>• Reviewing and implementing clear transfer rules to ensure predictability and certainty.</li> <li>• Requiring full disclosure of all persons having beneficial interests in licenses or petroleum contracts.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for Finance</li> <li>• Malawi Revenue Authority</li> <li>• Ministry responsible for Justice and Constitutional Affairs.</li> </ul>	2023 – 2028
<b>POLICY PRIORITY AREA 10: REGIONAL AND INTERNATIONAL COOPERATION</b>			
<b>Policy Statement 10.1: Government will ensure that Malawi has access to international markets for petroleum at all times.</b>			
<b>Objective</b>	<b>Strategy</b>	<b>Responsibility</b>	<b>Time-frame</b>

<p>To ensure sustainable exploration and exploitation of petroleum resources.</p>	<ul style="list-style-type: none"> <li>• Strengthening relationships with neighbouring countries wherever petroleum fields transcend borders.</li> <li>• Strengthening relationships with other countries with common interests in the upstream petroleum subsector.</li> <li>• Developing transport corridors to access sea ports and markets abroad.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Petroleum</b></li> <li>• Ministry responsible for International Cooperation</li> <li>• Ministry responsible for Transport and Infrastructure Development</li> <li>• Ministry responsible for Trade.</li> </ul>	<p>2023 – 2028</p>
<p><b>POLICY PRIORITY AREA 11: CROSSCUTTING ISSUES</b></p>			
<p><b>Policy Statement 11.1: Government will ensure that gender, human rights, nutrition, HIV and AIDS issues are mainstreamed in all upstream petroleum operations</b></p>			
Objective	Strategy	Responsibility	Time-frame
<p>To ensure sustainable exploration and exploitation of petroleum resources.</p>	<ul style="list-style-type: none"> <li>• Facilitating the development of nutrition, HIV and AIDS workplace policies.</li> <li>• Facilitating engendering of all strategic documents of companies operating in the upstream petroleum sub sector.</li> <li>• Monitoring and protecting human rights in the upstream petroleum sub sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Department responsible for Nutrition, HIV and AIDS</li> <li>• Ministry responsible for Gender</li> <li>• Ministry responsible for Petroleum.</li> </ul>	<p>2023 – 2028</p>
<p><b>Policy statement 11.2: Government will ensure that regulations on occupational health and safety of people involved in petroleum operations are developed, implemented and monitored.</b></p>			
Objective	Strategy	Responsibility	Time-frame

<p>To ensure sustainable exploration and exploitation of petroleum resources.</p>	<ul style="list-style-type: none"> <li>• Prescribing regulations governing occupational health and safety in the upstream petroleum sub sector.</li> <li>• Establishing technical standards for the sub sector.</li> <li>• Collaborating with industry stakeholders to facilitate the management of governing occupational health and safety in the upstream petroleum sub sector</li> <li>• Providing education on health and safety to the public.</li> <li>• Administering and monitoring operations in the upstream petroleum sub sector to ensure compliance to required standards.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Labour</b></li> <li>• Department of Nutrition and HIV/AIDS</li> <li>• Ministry responsible for Gender</li> <li>• Ministry responsible for Petroleum.</li> </ul>	<p>2023 – 2028</p>
<p><b>Policy statement 11.3: Government will ensure a reduction in the contribution of the upstream petroleum subsector to climate change.</b></p>			
Objective	Strategy	Responsibility	Time-frame
<p>To ensure sustainable exploration and exploitation of petroleum resources.</p>	<ul style="list-style-type: none"> <li>• Facilitating the development of climate change workplace policies.</li> <li>• Collaborating with industry stakeholders to facilitate the management of climate change issues in the upstream petroleum subsector.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Ministry responsible for Climate Change</b></li> <li>• Department of Climate Change and Meteorological Services</li> <li>• Environmental Affairs Department</li> <li>• Ministry responsible for Petroleum.</li> </ul>	<p>2023– 2028</p>



## ANNEX 2: MONITORING AND EVALUATION PLAN

<b>POLICY PRIORITY AREA 1: GOVERNANCE</b>						
<b>OUTCOME: Improved governance in the management of the Upstream Petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To increase institutional and human capacity in the upstream petroleum sub sector.	An inter-ministerial working group created	Number of Inter-ministerial working group meetings	16	-	Minutes of meeting	Availability of financial resource
	A multi-sectoral working group created for policy and legislative development processes and contract negotiations	Number of multisectoral working group meetings	20	4	Minutes of meeting	Availability of financial resource
	Skills in upstream petroleum sub sector developed	Number of officers trained in Petroleum related courses	30	5	Training reports	-
	Increased number of students in tertiary institutions undertaking petroleum related courses	Number of students enrolled	50	-	Student records	-
To strengthen the legal and regulatory frameworks for Upstream Petroleum sub sector development.	Existing laws amended for clarity of regulatory functions of each institution.	Number of existing laws amended	2	-	Number of meetings and reports.	Availability of financial resource.
	Relevant regulations in the upstream petroleum sub sector amended.	Number of regulations amended	2	-	Number of regulations gazetted	-
To institutionalize and promote transparency in the administration of Upstream Petroleum operations.	A clear mechanism for making upstream petroleum contracts accessible implemented	Number of mechanisms made	1	-	Progress reports	-
	A stakeholder engagement system on local petroleum operations implemented	Number of stakeholder engagement systems	1	-	Implementation report	-
	Public awareness programs undertaken	Number of programs	6	-	Public awareness reports	Availability of financial resource

	Communication strategy for the sub sector is developed	Number of communication strategies	1	-	Communication Strategy	-
	Policy, legal and commercial functions harmonised	Number of policy, legal and commercial functions	3	-	Progress reports	-
	Institutional structures to protect the infant subsector established	Number of institutional structures in place	1	-	Progress reports	-
	A Special Purpose vehicle (SPV) to represent Government's interest in the subsector established	Number of SPVs established	1	-	Progress reports	-
	Government's participation in the subsector's ventures is maximised	Percentage of Government participation per venture	30%	-	Progress reports, PSAs	-

<b>POLICY PRIORITY AREA 2: FISCAL REGIME</b>						
<b>OUTCOME: Improved Fiscal regime that ensures competitiveness internationally and increases profitability as the operations increase</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To increase investment in Malawi's Upstream Petroleum sub sector	Upstream petroleum sub sector promoted	Number of international promotional events participated	20	4	Reports	-
		Number of promotional events organised	5	-	Reports	-
	A standard transparent fiscal regime developed	Number of fiscal regimes	1	-	Standard fiscal regime	-
	Restrictions on transfer pricing enforced	Number of restrictions made	1	-	Reports	-
	The laws amended to reduce ministerial discretion	Number of laws amended	2	-	Reports	-
	Relevant Fiscal terms and laws to ensure transparency and homogeneity established	Number of fiscal regimes	1	-	Number of meetings and reports	-

National Petroleum Exploration and Production Policy

To ensure sustainable exploration and exploitation of petroleum resources	A clear fiscal regime for petroleum operations established	Number of revised Fiscal regimes	1	-	Revised fiscal regime	-
	Loss of Government revenue minimised	Number of arm's length rules imposed	1	-	Revised fiscal regime	-

<b>POLICY PRIORITY AREA 3: REVENUE MANAGEMENT</b>						
<b>OUTCOME: Increased revenues from the Upstream Petroleum sub sector through widening of the tax base and narrowing of the trade deficit</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To maximize revenue generated from the Upstream Petroleum sub sector	Mechanisms instituted to facilitate efficient collection of revenue	Number of mechanisms created	2	-	Monthly reports	Availability of financial resource
	Increased revenue from the sub sector	Percentage increase	80%	-	Annual reconciliation reports	-
	A designated petroleum account established	Number of accounts	1	-	Account Details	-
	A monitoring and reporting mechanism for petroleum production and pricing developed and in use	Number of monitoring and reporting mechanisms	1	-	Annual reports	-

<b>POLICY PRIORITY AREA 4: ENVIRONMENTAL MANAGEMENT</b>						
<b>OUTCOME: Improved environmentally sustainable operations in the upstream petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>

*National Petroleum Exploration and Production Policy*

To ensure sustainable exploration and exploitation of petroleum resources	Incorporation of upstream petroleum issues in the environmental policy lobbied	Number of lobbying meetings	5	-	Minutes of meeting	-
	Environment management issues revised in the Petroleum (Exploration and Production) Act	Revised Petroleum (Exploration and Production) Act	1	-	Revised Act	-
	Environmental management regulations revised for the Petroleum (Exploration and Production) Act	Number of revised Regulations	1	-	Regulations	-
	Specific financial and technical measures to cater for environmental damages arising from upstream petroleum operations created	Number of measures	2	-	Progress reports	-
	Mechanisms for local communities to report potential violations established	Number of mechanisms established	1	-	Progress reports	-
	An environmental performance bond in all oil contracts enforced	Number performance bonds	1	-	Progress reports	-
	Polluter pays principle enforced	Number of regulatory schemes for polluter pays principles in place	1	-	Progress reports	-

<b>POLICY PRIORITY AREA 5: CORPORATE SOCIAL RESPONSIBILITY AND COMMUNITY DEVELOPMENT AGREEMENTS</b>						
<b>Outcome: Surrounding communities have obtained optimum benefits from the upstream petroleum operations</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To ensure maximum and direct benefits to locals from the upstream petroleum sub sector activities	CSR and CDA requirements have been incorporated in the Petroleum (Exploration and Production) Act	Number of Acts revised	1	-	Revised Act	-
	Mechanisms for compliance to CSR and CDA enforced	Number of verification exercises	30	-	Compliance Reports	-
	Community sensitization programs	Number of sensitization	3	2	Progress reports	-

	implemented	programs				
--	-------------	----------	--	--	--	--

<b>POLICY PRIORITY AREA 6: LOCAL CONTENT</b>						
<b>Outcome: Increased local participation in the entire value chain of the upstream petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To ensure maximum and direct benefits to locals from upstream petroleum sub sector activities	Local content requirements have been incorporated in the Petroleum (Exploration and Production) Act	Number of Acts revised	1	-	Revised Act	-
	Mechanisms for compliance to local content requirements enforced	Number of verification exercises	30	-	Compliance Reports	-
	Community sensitization programs implemented	Number of sensitization programs	3	2	Progress reports	-

<b>POLICY PRIORITY AREA 7: RESOURCE OWNERSHIP</b>						
<b>OUTCOME: Improved environmentally sustainable operations in the upstream petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To ensure sustainable exploration and exploitation of petroleum resources	Increased transparency in the granting of licences	Number of licences subjected to public scrutiny	6	4	Exploration Licenses	-
	Increased transparency in the management of the resource	Number of contracts subjected to public scrutiny	6	-	Production Sharing Agreement	-
	Increased public private partnerships	Number of partnerships	15	-	PPP Agreements	-
	An appropriate revenue management mechanism is developed	Number of mechanisms	1	-	Cadastre	-

<b>POLICY PRIORITY AREA 8: DATA MANAGEMENT</b>						
<b>OUTCOME: Improved knowledge of the geology of the upstream petroleum sub sector in Malawi</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To ensure sustainable exploration and exploitation of Petroleum resources	Leading research institutions engaged on data acquisition	Number of institutions engaged	3	-	Signed Contracts	-
	Evaluation criteria for granting exploration licences improved to include requirements for gathering, analysing and reporting of data	Number of reviews	1	-	Revised criteria	-
	Laws and regulations for granting exploration licences improved to include requirements for collection, ownership, analysis, reporting and management of data, samples and records	Number of Acts amended	1	-	Revised Act	-
	Effective collection and safe storage of Petroleum data monitored	Number of routine monitoring visits	20	1	Monitoring reports	-
	Programs for publicising Petroleum data and information implemented	Number of programs	3	-	Implementation report	-

<b>POLICY PRIORITY AREA 9: LICENSE AND CONTRACT MANAGEMENT</b>						
<b>OUTCOME: Improved license and contract management in the upstream petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2025)</b>	<b>Baseline (2020)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To strengthen the legal and regulatory	Detailed procedures and systems for granting petroleum licenses are	Sets of procedures and systems	1	-	Revised Licensing Criteria	-

National Petroleum Exploration and Production Policy

frameworks for upstream petroleum sub sector development	developed					
	Model Contract Agreement developed	Number of Model Contract Agreements	1	-	Model Contract Agreement	-
	Transparent and fair licensing procedures reviewed	Number of reviews	2	-	Revised Act and Regulations	-
	Strengthened stakeholder engagement before granting of licenses	Number of consultative workshops	6	-	Workshop reports	-
	Criteria for transfer, change of ownership interests and operatorship in place	Number of criteria	3	-	Criteria	-

<b>POLICY PRIORITY AREA 10: REGIONAL AND INTERNATIONAL COOPERATION</b>						
<b>Outcome: Increased access to international markets for the upstream petroleum sub sector</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2024)</b>	<b>Baseline (2019)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>
To ensure sustainable exploration and exploitation of petroleum resources	Strengthened relationships with neighbouring countries	Number of countries	3	-	Reports and meetings	-
	Strengthened relationships with countries sharing common interests in the upstream petroleum sub sector	Number of countries	4	-	Reports and meetings	-
	Transport corridors to access ports and markets abroad established	Number of transport corridors	3	-	Reports and MOUs	-

<b>POLICY PRIORITY AREA 11: CROSSCUTTING ISSUES</b>						
<b>Outcome: Gender, human rights, nutrition, HIV, AIDS and climate change issues are mainstreamed in the upstream petroleum operations</b>						
<b>Objective</b>	<b>Output</b>	<b>Performance Indicator</b>	<b>Target (2024)</b>	<b>Baseline (2019)</b>	<b>Source of Verification</b>	<b>Risks and Assumptions</b>

*National Petroleum Exploration and Production Policy*

To ensure sustainable exploration and exploitation of petroleum resources	Nutrition and HIV and AIDS workplace policies developed	Percentage of companies with workplace policies	100%	0%	Workplace policies	-
	Issues of gender, human rights, nutrition and HIV and AIDS mainstreamed	Number of meetings	20	-	Minutes of meeting	-
	Increased participation of female employees in decision making positions in the public sector	Percentage of female employees	30%	0%	Staff returns	-
	Increased participation of females in decision making positions in the private sector, academia and CSOs lobbied	Percentage of female employees	30%	0%	Progress reports	-
	Prescribed regulations governing occupational health and safety, and established technical standards	Number of regulations prescribed, and standards established	2	-	Regulations and standards	-
	Collaborated industry stakeholders to facilitate the management of occupational health and safety including provided education on health and safety to the public.	Number of meetings	20	-	Minutes of meeting	-
	Developed climate change workplace policies.	Percentage of companies with workplace policies	100%	-	Workplace policies	-
	Collaborated industry stakeholders to facilitate the management of climate change.	Number of meetings	20	-	Minutes of meeting	-

Ministry of Mining

P.O. Box 251,

Lilongwe, Malawi.

Tel: +265 (0)1 754 777

Email: [minfo@mining.gov.mw](mailto:minfo@mining.gov.mw)

Website: [www.mining.gov.mw](http://www.mining.gov.mw)