

AFRICA OIL+GAS REPORT · LNG

Orca Energy Exits Tanzania Gas Operations Amid Regulatory and Commercial Uncertainty

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Canadian junior Orca Energy, the largest producer of natural gas in Tanzania, has initiated a formal divestment process for its Tanzanian operations, citing significant uncertainty around the country's regulatory and commercial environment. The company operates the Songo Songo gas field, which has historically supplied the bulk of Tanzania's domestic gas production and represents a critical node in the country's power generation and industrial supply chain.

The decision to exit reflects mounting frustration among international operators with Tanzania's investment climate. Orca has faced long-running disputes over gas pricing, payment arrears from state counterparties, and an opaque regulatory framework that has made long-term capital planning difficult. For a junior operator without the balance sheet depth of a major, sustained uncertainty of this kind makes continued exposure increasingly untenable. The divestment signal is therefore less a reflection of the field's geological merit — Songo Songo remains a producing asset with established infrastructure — and more a verdict on the fiscal and contractual conditions surrounding it.

For the broader Tanzanian gas sector, the timing is significant. Tanzania has long harbored ambitions to develop its substantial offshore gas discoveries — estimated at over 57 trillion cubic feet — into a world-scale LNG export facility. Progress on that project has been glacially slow, and Orca's exit adds another data point suggesting that international capital remains cautious about committing to Tanzania without

clearer fiscal terms, dispute resolution mechanisms, and payment discipline from state buyers. The government will need to address these structural concerns if it hopes to attract credible buyers for the Songo Songo stake and, more broadly, to anchor the offshore LNG development with serious project sponsors.

A divestment process of this nature will require a buyer willing to engage with TPDC, the national oil company, and navigate Tanzania's gas pricing regime. Regional and Asian operators have shown interest in East African gas assets in recent years, and the Songo Songo asset — with its existing pipeline infrastructure connecting to Dar es Salaam — could attract strategic buyers focused on domestic gas supply rather than export ambitions. The sale process will be closely watched as a barometer of investor sentiment toward Tanzania's upstream sector.

For Norwegian service companies, the divestment itself does not immediately generate contracting opportunity, but the asset's future trajectory matters. If a new operator acquires Songo Songo with a mandate to optimise production or extend field life, well intervention, compression upgrades, and pipeline integrity services could come into scope. More consequentially, how Tanzania handles this transaction will influence whether the offshore LNG project advances to a development decision — a project that would represent one of the largest potential service markets in Sub-Saharan Africa.

Why this matters to partners and clients of Saga

Norwegian service companies should monitor the Songo Songo sale process to identify the incoming operator, who may bring fresh capital and appetite for production optimisation contracts. The divestment's outcome will also serve as a leading indicator for Tanzania's LNG project viability, where subsea, FPSO, and LNG construction contractors have substantial long-term exposure. For now, the posture is watch-and-assess rather than active bid preparation.

PARTNER ANGLES

- **LNG:** Tanzania's handling of this divestment will signal whether the offshore LNG project can attract credible sponsors — Norwegian LNG contractors should track regulatory developments before committing pre-FEED resources.

- **Pipeline:** The Songo Songo to Dar es Salaam gas pipeline may require integrity assessment and upgrade works under new ownership, creating a near-term entry point for pipeline service firms.
- **Drilling:** A new operator with production optimisation ambitions could mandate well intervention or workover campaigns to sustain plateau rates at Songo Songo.
- **Subsea/FPSO:** If offshore LNG development proceeds, subsea tieback and FPSO concepts for Tanzania's deepwater discoveries represent a major future contracting opportunity requiring early relationship-building now.
- **Service:** Compression and gas processing upgrades at the onshore Songo Songo facility are likely under any serious new operator's development plan, suiting Norwegian process and rotating equipment specialists.

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