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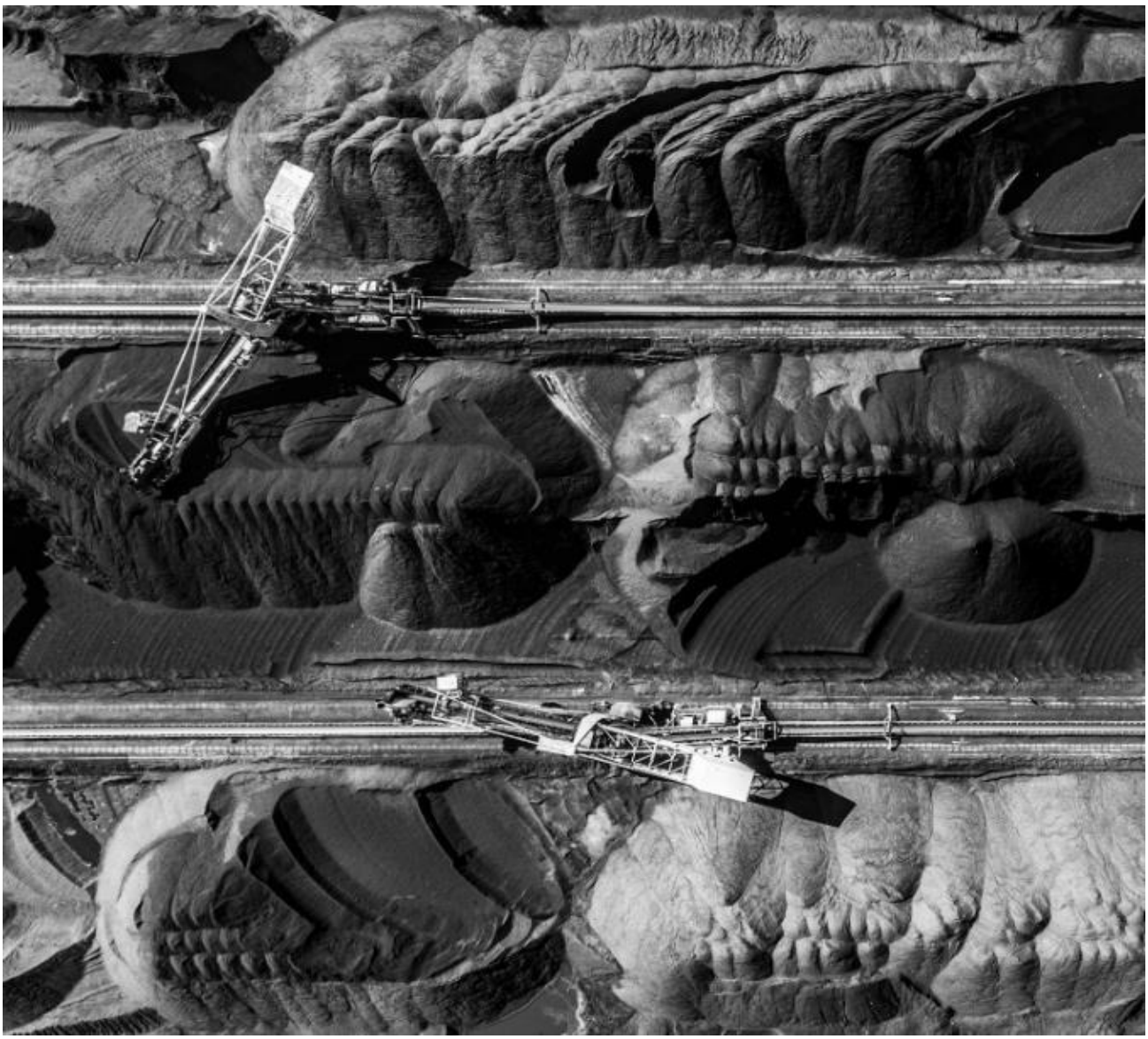
Coal industry of the United Republic of Tanzania.

Part 1.

Review



2026

Country profile

United Republic of Tanzania

- ✓ ***Subregional group:*** *East Africa*
- ✓ ***Official language:*** *Swahili, English*
- ✓ ***Currency:*** *Tanzanian shilling (1 TZS = 0.00038 USD as of 08/06/2026)*
- ✓ ***Capital:*** *Dodoma*
- ✓ ***Population:*** *72.6 million (2026)*
- ✓ ***Land area:*** *947.3 thousand km²*
- ✓ ***GDP per capita at current prices (US dollars):*** *1.18 (162nd place out of 184) (2024)*
- ✓ ***Gross domestic product (GDP) (US dollars):*** *78.77 billion (80th place out of 184) (2024)*
- ✓ ***Mining industry (as % of GDP):*** *17.75 (2023)*
- ✓ ***Manufacturing sector (as % of GDP):*** *7.49 (2023)*
- ✓ ***Value of goods exports (US dollars):*** *9.95 billion (105th place out of 214) (2025)*
- ✓ ***Value of goods imports (US dollars):*** *14.81 billion (100th place out of 214) (2025)*
- ✓ ***Volume of international trade (as a percentage of GDP):*** *29.28 (167th place out of 190) (2024)*
- ✓ ***Annual inflation rate (as a percentage):*** *4 (2025)*
- ✓ ***Key interest rate (as a percentage):*** *5.75 (2025)*
- ✓ ***Volume of investments (as a percentage of GDP):*** *37.51 (12th place out of 170) (2025)*
- ✓ ***Corruption perception index (index):*** *40 (84th place out of 182) (2025)*

Coal industry of the United Republic of Tanzania

Tanzania's Coal Industry: Economic Weight

Tanzania's coal mining industry, despite possessing the largest reserves in East Africa, occupies a modest place in the country's economy, overshadowed by gold, which remains the undisputed leader.

Let's look at the key indicators of this sector in the country.

Production cost and contribution to GDP

- **The value of coal** produced in 2024 was **~1,036 billion Tanzanian shillings (approximately 400 million US dollars)**.
- ***Coal's share of Tanzania's GDP (value added)*** *ranges from 0.3% to 0.6%, according to various estimates (using production costs as a percentage of nominal GDP, which is approximately $85 billion).*
- *A more accurate calculation would be through the contribution of the mining sector: coal accounts for 6-16% of total production value added, but the mining sector itself accounts for approximately 10% of GDP. Thus, coal directly contributes no more than 1-1.5% of the country's GDP*.

*By comparison, the gold sector alone accounts for over **80%** of all mining output and, accordingly, about 8% of GDP. Coal, meanwhile, remains deeply underrepresented.*

Share in exports and industry

- Coal exports in 2022/23 amounted to $227 million (a sharp increase from $82 million the previous year). However, this represents only ~3% of all mineral exports (compared to almost 83% for gold).
- The majority of mined coal (over 60%) is consumed domestically—by cement plants, brick factories, and small industrial kilns. Exports go primarily to Kenya, Uganda, Rwanda, and the Democratic Republic of the Congo.

Production volumes

- **Production dynamics:** 2021/22 ~2.5 million tons, 2022/23 ~3.26 million tons, 2023/24 ~3.60–3.90 million tons.

Growth in 2024 was ~19.9% by volume and ~17.9% by value. Despite the growth, the industry remains small—for example, the Ngaka mine alone (the largest in East Africa) produces 1.2 million tons per year, which is about a third of the national total.

Coal reserves and geology

The country is the largest holder of coal reserves in East Africa and ranks 5th **in Africa.**

Coal reserves are estimated at 1.9 billion tonnes, of which 25% are confirmed. Probable resources may reach 5 billion tonnes.

The vast majority of coal reserves are located in the south of the country along the Songea Karoo belt. The main coal basins are located in three regions: **Rukwa, Mbeya, and Njombe:**

- **Mchuchuma in the Ruhuhu Basin:** Considered to be the largest open-pit coal mine in the country, with reserves estimated at 400 to 536 million tonnes. The project includes a coal-fired power plant and an iron ore processing plant, but has not yet been fully developed.
- **Ngaka in southwestern Tanzania:** The largest operating open-pit coal mine in Tanzania and East Africa, located in the Ruvuma region, has estimated reserves of 367 million tonnes and a capacity of 1.2 million tonnes of coal per year.
- **Kiwira in the Songwe region:** A small mine with an installed capacity of 150,000 tonnes per year.
- **Songwe Kiwira in the Mbeya region:** A deposit with reserves of 147 million tonnes.
- **Other deposits:** The Rukwa basin also contains the Namwele-Mkomolo, Muze and Galula coal fields.)

Types of coal and their characteristics

Tanzania's coal industry focuses on the production of high-quality thermal coal. It is supplied both as raw coal (ROM) and as processed fractions intended for use in the cement, power, and other industries.

Analysis and laboratory testing classify Tanzanian coal as high-volatile bituminous (C to A) and subbituminous. Although some sources refer to it as "subbituminous," its actual calorific value often corresponds to higher grades.

For a clear comparison, all key coal characteristics from the main deposits are summarized in the table:

Indicator	Ngaka Deposit (Tancoal)	Songwe-Kivira Deposit (STAMICO)	Rukwa Deposit (Namwele/Mkomolo)
Calorific value	6,500 kcal/kg	5,000 – 6,200 kcal/kg	7,220 – 8,839 kcal/kg
Ash content	6,000 – 6,300 kcal/kg	18% – 30% (avg. 25%)	15.10% – 26.15%
Sulfur content	5,766 – 7,457 kcal/kg	< 1.0%	0.17% – 0.48%
Moisture content	16.0%	< 3.0%	3.27% – 4.73%
Volatile matter	9.17% – 25.03%	15% – 30%	37.15% – 38.71%
Class / Type	< 0.5 – 1.0%	Heavy-duty thermal coal	High thermal energy coal

Fractional composition of coal

Manufacturers offer coal in several fractional ranges (in millimeters), which allows to meet various technological needs:

- **Raw ore (ROM):** the raw material supplied in unprocessed form, with a particle size of 0 – 450 mm.
- **Processed fractions: finished product after sorting and cleaning**:
  - Fine fractions (0–10 mm, 0–30 mm, 0–50 mm, 0–75 mm) are in demand by the cement industry.
  - Coarse and mixed fractions (10–30 mm, 10–50 mm, 30–75 mm) are more often used in the energy and heavy industries.

Regional differences in quality

The quality of coal is greatly influenced by geological conditions, which vary in different deposits:

- **Ngaka Basin (Tancoal Energy):** The mineralogical composition here is mainly represented by quartz, clays and feldspars. The content of ash and trace elements can vary significantly even within the same deposit.
- **Songwe Quivira Basin (STAMICO):** Extremely unstable. Research shows that ash content in this region can vary from 22% to 49%, and sulfur content from 0.17% to 9.2%. Coal here can vary greatly in its characteristics, even within the same deposit.
- **Rukwa Basin (Mkomolo Project):** Features low sulfur content (only 0.48%) and, in some samples, high ash content and calorific value of up to 8,839 kcal/kg.

Comparison with global standards

For a complete understanding, it is worth evaluating Tanzanian coal in relation to world leaders and international requirements.:

- **High Quality:** Tanzanian coal's performance is competitive. By comparison, widely used South African RB3 coal has a calorific value of approximately 5,500 kcal/kg with an ash content of 23%.
- **Key Advantage:** Low sulfur content (<1%) is a significant advantage, making the coal more environmentally friendly and compliant with standards in many markets.

Application areas

Due to its characteristics, Tanzanian coal is in demand in the following industries:

- **Cement industry:** fine fractions (0–10 mm) are ideal for rotary kilns.
- **Power generation:** coal is used for power generation at thermal power plants.
- **Industrial:** used in metallurgy, fertilizer production, paper production, etc.
- **Home and small business:** serves as an alternative to wood for heating and brick firing.

Major mining enterprises

Currently, large-scale mining is conducted only at the Ngaka open-pit mine, and on a smaller scale at the Kivira coal mine in the Mbeya region.

The sector is dominated by state-owned companies and joint ventures with foreign partners. A detailed description of the operating mines is planned for our next review.

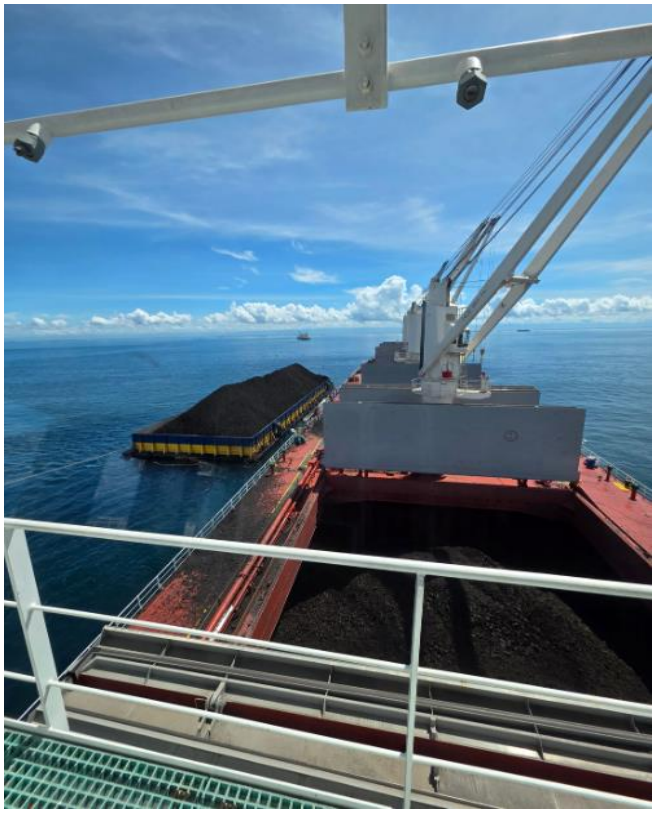
Infrastructure

To support the growing coal industry, Tanzania is investing heavily in transport and port infrastructure, primarily in the southern corridor.

- **Mtwara Port*:** A major gateway for coal exports. The government is constructing a new dedicated port at Kiswa Mgao (at a cost of approximately 434.5 billion Tanzanian shillings or $166,848,000) to handle bulk cargo, including coal. Once completed, the port will be able to handle 1.2 million tonnes of coal per year.
- **Export Destinations:** Primary destinations: Kenya, Uganda, and India.
- **Rail Development:** A standardized rail (SGR) is planned to connect Mtwara Port with the Mchuhuma and Liganga mining areas**.**
- **Construction of a new port on** Kiswa Mgao Island (also known as Kiswa Mgao) for the handling of hazardous and bulk cargo (coal, cement, fertilizers), equipping the new port with conveyor belt systems (each capable of handling 600 tonnes of cargo per hour).

***The Port of Mtwara is a natural deepwater harbor.**
Its main parameters:
- **Water area:** 2,719 m²
- **Depth:** 9.5 to 13 meters
- **Throughput:** 1,000,000 tonnes (or ~100%)
- **Berths: Number:** 2, Length: 685 meters

- **Warehouse space:** 159,000 m²
- **Handling equipment:** 3 mobile cranes (up to 100 t), 1 gantry crane, 4 reach stackers, 5 front-end loaders, 3 tugboats, and other auxiliary equipment.
- **Cargo turnover and dynamics:** By the end of the 2025/2026 financial year, the port handled 1,279 units of various vehicles (buses, trucks, trailers) with a total weight of 7,704 t. To improve efficiency, modern information and communication technologies (ICT) are being implemented, and new equipment has been purchased, including gantry cranes and a tugboat worth 20 billion Tanzanian shillings for maneuvering large-capacity vessels.
- **Role in coal exports:** plans to export 110,000 t of coal per month (1.2 million t per year) to Asian countries.



Global Coal Ranking and Export Volume (2025)

In 2025, Tanzania exported **1,388,503** tons of coal, placing the country approximately 26th to 27th in the world in coal export volume (preliminary ranking).

Indicator Trends in Recent Years

To make the situation more clear, let's look at the indicator trends in recent years, including the record year of 2022.:

Year	Export volume (tons)	Dynamics, %
2025	1 388 503	+82.22 (growth compared to 2024)
2024	762 000	-52.4 (fall from 2022 record)
2023	~1 602 000	-6.3 (fall from 2022 record)
2022	**~1 710 000 (record peak)**	Peak value

Thus, by 2025, Tanzania demonstrated active growth in coal exports, overcoming a number of serious challenges associated with a combination of external shocks and internal structural problems, facing a decline in external demand, increased competition and its own limitations in infrastructure and project development.

Weaknesses

- **Short-term surge in 2022–2023:** Record export growth was driven by surge demand from the European Union. Following the embargo on Russian coal due to events in Ukraine, European countries began actively purchasing coal worldwide, leading to a sevenfold increase in Tanzanian exports in 2023.
- **Expected and sharp decline:** This surge was initially considered temporary. The EU made it clear that it was returning to a green policy and did not intend to purchase coal from Tanzania in the long term. By the end of 2023, demand and prices began to fall, leading to reduced supplies in 2024.
- **Decline in global prices:** Following the decline in demand, prices also fell sharply. While the average price reached $358 per ton in 2022, it fell to $132 per ton in 2024. This has been a serious blow for Tanzania, reducing the attractiveness of its exports.
- **Oversupply and Competition:** The global market is facing a coal oversupply. Meanwhile, major importers such as China and India are increasing their own production, reducing their dependence on external supplies. This has intensified competition, with cheaper coal from countries such as South Africa displacing Tanzanian coal.
- **High Transportation Costs:** Logistics is one of the industry's main challenges. Transportation costs can reach 50% of the final cost of coal.
- **Poor road conditions and a lack of rail** infrastructure make Tanzanian coal significantly less competitive than regional leaders.
- **Infrastructure Bottlenecks:** General congestion and inefficiency at Mtwara Port, which must handle a variety of cargo types, create significant delays. The lack of a direct rail link between the mines and the port forces the use of more expensive and slower road transport. • Impact of the rainy season: Heavy rains in early 2023 directly impacted production. High moisture content in coal disrupted washing plants at the key Rukwa mine, causing coal washing volumes to drop from a target of 2,500 tonnes per month to just 594 tonnes in March 2023.
- **Long-term downtime**: The Mchuhuma (coal) and Liganga (iron ore) projects, key to the industry's development, have remained frozen for over a decade.
- **Lack of investor:** The main reason for the delays is the inability to attract and agree on terms with a major strategic investor. Negotiations with companies have stalled due to disagreements over tax incentives and other terms.
- **Focus on the domestic market:** Recognizing these difficulties, the Tanzanian government has decided to encourage domestic coal use. Authorities are requiring miners to supply more coal to local cement and steel plants rather than export it.

Export revenue (2024)

Tanzania's total coal export value in 2024 was $153.8 million, down 15% from the previous year.

The main buyers **were India, Pakistan, and Kenya.**

Regional Ranking (Africa) (2023)

According to the latest consolidated data on coal exports by African countries, Tanzania ranks third on the continent with a result of 1,884.95 thousand short tons*, behind only **South Africa and Mozambique.**

**** A short ton is equal to 907.18474 kg*** *and is used in the United States. To convert to the more common metric tons, multiply the given values by 0.907.*

Impact on the environment and society

The expansion of coal mining has raised a number of environmental and health concerns, prompting the government to take new action.

- ***Health and safety risks:*** *Key concerns include coal dust contamination of nearby communities, water pollution from mine runoff, and the risks of acid mine drainage and heavy metal exposure to miners and the public.*
- **Government action:** In April 2026, Tanzania cancelled 40 exploration licences for non-compliance, citing economic losses and environmental degradation due to undeveloped or abandoned sites.

Legal and regulatory framework

The government is actively reforming legislation to ensure that the mining sector benefits citizens and operates sustainably.

- **Mining Local Content (Amendment) Rules, 2025:** Aimed at encouraging local content. A key change requires foreign companies to form joint ventures with a partner wholly owned by Tanzanian nationals, who must hold at least 20% of the stake.

- **Finance Act 2025:** Amended the Mining Act 2017 to further restrict foreign participation in certain types of small-scale mining.

Tax and fiscal incentives

- **Reduced royalty rates:** For coal used as an industrial feedstock, the royalty rate is only 1%. This preferential rate was specifically introduced to encourage domestic coal processing.
- **Significant tax incentives for strategic projects:** Projects approved by the National Strategic Investment Committee may receive a profit tax exemption. Large coal projects, such as Mchuchuma, are officially designated as strategic.
- **Investment zone incentives:** Companies operating in FEZs (Free (or Special) Economic Zones) and EPZs (Export Processing Zones (sometimes referred to as EPZs)*) have access to an expanded package of incentives, including VAT exemptions on certain goods, reduced import duties, and other fiscal preferences. Enterprises in the EPZ receive particularly generous benefits (for example, complete exemption from import duties on raw materials and equipment, 0% profit tax for the first 5-10 years) provided that almost all of their production goes abroad.

**Both zones are regulated by the SEZ Act (2006) and administered by the Special Economic Zone Authority (EPZA Tanzania). SEZs allow up to 80% of production to be sold domestically (but with fewer incentives). EPZs offer maximum incentives, but at least 80% of production must be exported. Thus, if an investor plans to process coal (for example, into briquettes or syngas) and sell it within Tanzania, it is more advantageous to register as a SEZ enterprise. However, if the investor is focused on exporting coal products, an EPZ will provide the greatest tax benefits.*

Financial and infrastructure support

- **Logistics subsidies:** The government recognizes that logistics costs can account for up to 50% of the cost of coal, so it is actively investing in the development of railway and port infrastructure. This stabilizes operating costs in the long term.
- **Capital guarantees:** The government, through the Export Guarantee Scheme, provides low-interest loans for the purchase of modern equipment.
- **Lower entry thresholds:** The minimum threshold for obtaining an investment certificate is only $300,000 for projects with full foreign participation.

Legal protection and administrative support

- Safeguards and Dispute Resolution: Tanzania is a member of MIGA, which guarantees protection against non-commercial risks, and ICSID, which provides rights to international arbitration. Investors have the right to 100% repatriation of profits and capital.
- One-Stop Shop for Investors: TIC simplifies the business process through a one-stop shop. Key features include assistance in obtaining all necessary licenses and automatic approval for the initial hiring of up to five expatriate specialists.

Market access and key ecosystem

- **Regional trading blocs:** Tanzania, through its membership in the East African Community and the Southern African Development Community, provides investors with strategic access to a combined market of approximately 400 million people.
- **Mchuchuma-Liganga Project:** Negotiations with investor Shudao Investment Group have been completed, and the project has officially entered the active implementation phase.

Future Prospects

The future of Tanzania's coal industry depends on the government's implementation of key projects:

- **Projects in the Njombe region**

On May 22, 2026, the government unveiled an ambitious "Vision 2050" program aimed at accelerating industrial growth, based on seven priority areas that promote industrialization and digitalization of the economy.
The primary objectives are to continue implementing strategic industrial projects managed by the National Development Corporation (NDC)—integrated iron ore mining, coal, and steel production projects in Ligang and Mchuchum.
The projects in the Njombe region, valued between US$2 and US$3 billion, aim to produce 2.9 million tons of crude steel per year, construct a coal mine with a capacity of 3 million tons per year, and create 6,500 official jobs.
The government is in the final stages of negotiations with the investor and expects project implementation to begin within three months.

- **Coal-fired power plants**

The government also intends to develop coal-fired power plant capacity to 2900 MW to achieve industrialization goals.

Coal is seen as a vital source for improving energy security. Despite its significant coal reserves, the country uses them virtually exclusively for electricity generation—as of 2024, coal-fired electricity production in Tanzania was zero.

However, several major power plant projects are at various stages of planning:

- **However, several major power plant projects are at various stages of planning**:
    - Phase 1 (4 units): 200 MW (50 MW each).
    - Phase 2: Potential future expansion by another 400 MW.

The project is being implemented by Tancoal Energy Limited (TANCOAL), a joint venture between NDC (30% non-cash investment) on behalf of the government and Intra Energy Corporation of Australia (70%). Coal reserves in the Ngaka area amount to 423 million tonnes. The project was conceived to create a coal mine and a power plant with a capacity of up to 400 MW. Tancoal built the coal mine and began coal production in 2011.

- **Mchuchuma:** The second largest project, located in Mchuchuma area, Ludewa District, Njombe Region, approximately 950 km from Dar es Salaam. It is being developed by Tanzania China International Mineral Resources Limited (TCIMRL), a joint venture between the government through NDC (20% non-cash investment) and China's Sichuan Hongda Group (80%).
  The planned capacity is 600 MW (4 units of 150 MW).

250 MW of the 600 MW will be used by the Ligang iron ore project, while the remaining 350 MW will be connected to the national grid at Makambako through the proposed 400 kV transmission line.

- **Rukwa Coal to Power Project:** The 300 MW power plant originally planned by Kibo Energy has been postponed.

Despite significant potential, the industry faces a **number of challenges:**

- **Priority of hydroelectric power plants and gas:** State energy policy is primarily focused on hydroelectric power plants and natural gas.
- **Infrastructure constraints:** Lack of rail links and processing capacity.
- **Environmental agenda:** Pressure from international environmental standards.

Conclusions

Tanzania possesses significant coal potential, which is currently extremely underutilized. However, work is actively underway to develop it: negotiations are underway on the Mchuhuma-Liganga project, valued at over US$3 billion, several mines have been launched (including the strategically important Rukwa mine), and production is growing steadily. As new capacity comes online, the coal industry has the potential to make a significant contribution to the energy balance, reduce import dependence, and boost industrial production.

Potential risks for investors

For investors, key risks remain infrastructure constraints, where logistics costs can reach up to 50% of the cost of coal, as well as ongoing delays in developing the rail network. Furthermore, stricter local content regulations oblige foreign investors to enter into mandatory joint ventures with local companies, while there is a risk of license revocation due to inactivity and other restrictions on foreign capital participation.

Despite these challenges, the strategic proximity to the growing markets of India and China, as well as active government efforts to implement flagship projects such as Mchuhuma-Liganga, create a unique window of opportunity for long-term investment.

Advantages

For investors considering Tanzania's coal industry, there are a number of significant advantages that create an attractive investment climate, including reduced coal royalties, tax breaks, simplified licensing, and strategic access to African markets.

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08.06.2026

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