



The

Shwe Gas

Bulletin

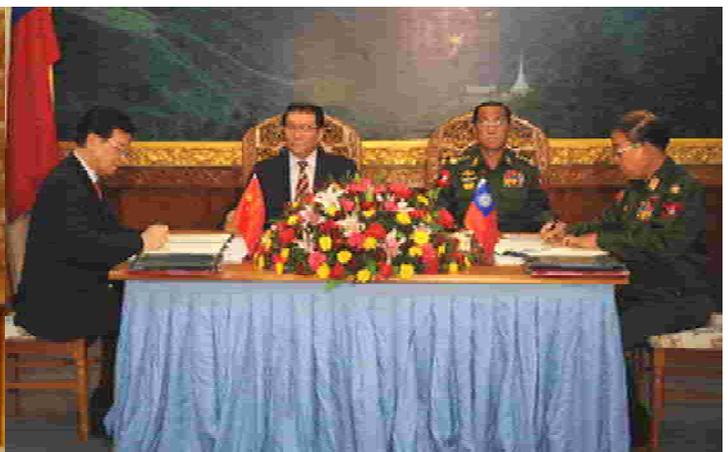
Volume 3, Issue 6

March-April, 2009

China and Burma to Jointly Develop Oil and Gas Pipelines in Burma



Li Changchun (R), a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, meets with Than Shwe, chairman of the Myanmar State Peace and Development Council (SPDC), in Nay Pyi Taw, Myanmar, March 26, 2009. (Xinhua/Liu Jiansheng)



Li Changchun (L, rear), a member of the Standing Committee of the Political Bureau of the Communist Party of China (CPC) Central Committee, and Tin Aung Myint Oo (R, rear), first secretary of the State Peace and Development Council (SPDC) of Myanmar, attend a signing ceremony of several cooperative agreements, including one pact to jointly build up crude oil and gas pipeline and the other to jointly develop hydropower resources in Myanmar, in Nay Pyi Taw, capital of Myanmar, March 26, 2009. (Xinhua/Liu Jiansheng)

March 28, 2009 (SGB)

On March 26, China and Burma inked “cooperative agreements” to jointly develop oil and gas pipelines and hydropower projects in Burma. The agreements came during the visit of Li Changchun, a member of the Standing Committee of the Political Bureau of the CPC Central Committee, according China’s Xinhua news report.

Construction of over 2000 km long the Shwe gas pipeline is planned to begin in mid 2009. The inland pipeline will transfer natural gas from one of Asia’s largest discovered fields – Shwe – from offshore Arakan State to China’s Yunnan Province.

The Shwe Gas Movement, a human rights campaign group from Burma, has raised numerous concerns about the human rights and environmental impacts from the project. The Movement calls for postponement of the pipeline project, which will be built in cooperation with Burma’s rights abusing military regime, until compliance

with international standards on the protection of human rights and the environment can be ensured.

Human rights groups have condemned Chinese and other multinational companies for their involvement in human rights abuses and environmental degradation stemming from oil and gas exploration and hydropower projects in Burma.

China, one of the Burmese military regime’s biggest trading partners and closest diplomatic allies, dominated Burma’s foreign direct investment (FDI) in 2008, while the US and EU have imposed economic sanctions due to the junta’s human rights record. China’s investment in Burma’s mining sector accounted for nearly US\$ 856 million in overall FDI for the country. This compares with Burma’s total recorded FDI of nearly US\$ 975 million. Mining sector FDI for 2008 represented a 93 percent increase from the US\$ 505 million registered during the same period in 2007, according to a recent government statistics report. ■

Editorial

Abuses Continue as China and India Battle Energy Interests In Burma

Located on Burma's western coast, oil and gas rich Arakan State, has become the front line for Chinese and Indian energy security in recent years.

While western companies refrain from investing in military-ruled Burma, China and India have continually battled over Burmese oil and gas. Their investments provide assistance to the military regime that includes, financing the government and their continuing military operations in the country. Complicitly cooperating with the Burmese military regime, Chinese and Indian oil companies are directly responsible for human rights abuses and environmental degradation in Arakan State.

China's CNOOC Myanmar Ltd. restarted oil drilling in Block M, the Kyauk Phyu Township, at the beginning of 2009. Drilling continued despite evidence from previous explorations during 2005-2007, that resulted in human rights and environmental abuses. The negative impact CNOOC had on the region led the frustrated local people to destroy their drilling camp in 2007.

India's Essar Oil Company has also begun drilling for oil and gas in Arakan State. Essar Oil has been active in onshore Block L in Sittwe Township since mid 2008, and has also committed abuses in partnership with the military regime that include, land confiscation, forced labor, and forced relocation.

Local people are suffering, and they have expressed anger to the Chinese and Indian companies that continually operate as the people lose their homes and land without compensation. The aggressive search for oil and gas by Chinese and Indian companies is worsening the already unstable lives of the local people. As a result,

conflict between the frustrated local people and companies could become more aggressive than the destruction of the CNOOC camp, in the future.

Currently, China's major oil companies, such as the China National Petroleum Corporation and CNOOC, are involved in one onshore and 4 offshore blocks in Arakan, while multiple Indian companies are involved in one onshore and seven offshore blocks in Arakan State.

In addition to oil and gas exploration, China and India are lured to the access Arakan State has to the Indian Ocean, and they both have also secured agreements to build commercial seaports in the region. India has the rights to rebuild Sittwe seaport, Arakan's capital city, which would allow travel along the Kaladan River to India's landlocked Northeast. While China, has been building a huge seaport in the Kyauk Phyu township. The Chinese seaport stands to be busier than China's Shanghai seaport, and is intended as a transit point for oil shipped from the Middle East and Africa, to China's landlocked Yunnan Province, via overland pipeline.

While China and India are utilizing Arakan's land, sea, and natural resources to feed their own energy and economic security, over 4 million people living in Arakan are facing human rights abuses and economic hardship. Under the security of the military regime their situation will only worsen.

Even though Arakan State has a huge gas reserve, there is no hope that the Arakan people will get any benefits from economic and social development. Even those who manage their daily lives with firewood and candlelight, will not receive any electricity from the development of their own gas. ■

CNOOC Starts Myanmar Drilling Despite Uproar over Human Rights

By Erwin China, Singapore (Feb 26, 2009)

China National Offshore Oil Corp. (CNOOC) has started drilling in Myanmar 's Block M, despite an uproar over its alleged human rights violations in the pariah state.

Rig operator China Oilfield Services (COSL) — which is 55% owned by CNOOC — told International Oil Daily Wednesday that the Chinese state giant spudded the Shwe Tha Htay-1 well last week. The well is the first of four planned in the onshore block.

In addition to Block M, CNOOC is an operator of five other areas — M2, M10 and A-4 offshore, plus the onshore C1 and C2. It announced plans last year to farm into Thai PTT Exploration & Production's (PTTEP) offshore blocks, but PTTEP said Wednesday it had cancelled the deal as the contract had expired "before receiving approval from Myanmar's government" (IOD Apr. 10,p8).

Block M lies on Ramree Island off the Arakan coast of western Myanmar . CNOOC's most notorious partner in the Block M consortium is Singapore-registered Golden Aaron, owned by the son of Lo Hsing Han, described last year as a "heroin godfather" by the US Treasury Department (IOD Feb.28 ,p2). Golden Aaron — which CNOOC says has been renamed China Focus Development — also has minority stakes in CNOOC's other five blocks.

Nongovernmental organizations (NGOs) such as Arakan Oil Watch have kept a close eye on the Chinese firm since it started gathering seismic data on Block M in 2005. In a report last October, Arakan Oil Watch condemned CNOOC for alleged human rights abuses, including seizing land illegally from inhabitants of Ramree Island .

With Myanmar off-limits to many Western companies because of sanctions or pressure from NGOs, Asian firms have moved in. Beijing remains the military regime's protector on the UN Security Council, and is keen to safeguard ambitious plans to import Myanmar 's gas and other commodities into its undeveloped southwestern provinces.

China National Petroleum Corp. (CNPC) is planning to build an oil pipeline to Yunnan , China , and has been awarded three blocks — AD-1, AD-6 and AD-8. The pipe will start at Kyauk Phyu , north of Ramree , where a deepwater port is being built to support the export plans. A parallel gas pipeline will start from near-by Sittwe . Construction of both is expected to begin in the first half of this year (IOD Dec.29 ,p1).

Supplies for the gas pipeline will come from the A-1 and A-3 Blocks being developed by South Korea 's Daewoo. COSL provided its semi submersible rig Nanhai II to



CNOOC's is currently drilling oil in block M. The picture was taken in Feb 2009.

Daewoo for drilling the two blocks under a contract signed in 2005. Korean contractors have now been shortlisted for front-end engineering and design (Feed) work on the pipelines. Engineering, procurement and construction contracts will be awarded in mid-2009 and Feed should be completed by 2010.

Other Asian companies in Myanmar include India 's Essar , which is expected to start drilling an exploration well in its A-2 Block offshore Rakhine , and Malaysia 's Rimbunan Petrogas , which will soon start seismic surveys in the M1 offshore block, the Myanmar Times says (IOD Oct.28'07 ,p3). Rimbunan Petrogas also has a contract for Block A-5.

Over the past few years, state Myanmar Oil and Gas Enterprise (MOGE) has also awarded shallow water blocks such as M15, M16, M17 and M18 to Malaysia's Petronas; M2 to Petrovietnam ; deepwater blocks AD-2, AD-3 and AD-9 to India's Oil and Natural Gas Corp.; the Yetagan East Block to Australia's Danford Equities; and Block AD-7 to Daewoo.

As of April 2008, Myanmar 's proven recoverable oil reserves stood at 112 million barrels onshore and 101 billion bbl offshore. Onshore gas reserves were put at 460 billion cubic feet, and offshore reserves at 17 trillion cubic feet, according to MOGE. ■

International Oil Daily

Biofuel Gone Bad: Burma's Atrophying Jatropha

By TIME Staff (Mar. 13, 2009)

My friend in Rangoon is a busy man. He manages a couple of companies in Burma's commercial capital, helps raise his children and regularly makes merit at a Buddhist temple. He also spends time tending to a plant that he knows is only grown to die. In Dec. 2005, Burma's economically inept junta — one of its leaders once decided to denominate the national currency by multiples of nine because he liked the number — decided that the country's future lay in a shrub called jatropha.

Although Burma sits on some of the region's richest oil and natural-gas reserves, much of the country lacks electricity. That's because most of its potential fuel is exported to neighboring countries through lucrative contracts that benefit the ruling generals instead of being used at home. The Burmese regime's stated solution to the longrunning national blackout? atropa. Also known as "physic nut," the plant produces a green nut that is pressed and processed into a biofuel catching on in entrepreneurial green pockets of the world from Florida to Brazil to India, which has already earmarked 100 million acres for the plant and expects the oil to account for one-fifth its diesel consumption by 2011.

Each of Burma's states and divisions was ordered to dedicate around 500,000 acres (202,000 hectares) to physic-nut cultivation, pressuring many ordinary citizens into a massive forced-planting campaign, according to human-rights groups. While my friend has enough money to pay for the mandatory seeds, many other Burmese aren't so lucky. Those who refuse to farm physic nut face possible jail time. By the end of 2008, the nation's top brass aimed to have 8 million acres (3.24 million ha) of jatropha ttered across Burma, some in vast plantations run by foreign companies, others wedged into home gardens or between shacks.

Puzzlingly, however, the junta's planting directive has not been matched by adequate infrastructure to turn those acres into energy, like collection mechanisms, processing plants, distribution systems. My friend dutifully tends his jatropha trees and then watches the seeds fall on the ground and die. In his case, the spindly physic-nut shrubs in his garden are supplanting a fragrant frangipani tree or colorful hibiscus bush. But elsewhere in Burma — a nation where



Ethnic minorities in traditional dress and Burmese civil servants plant jatropha crops at an official planting ceremony in Burma's Shan State on Jan. 15, 2006 (AP)

UNICEF estimates malnutrition afflicts one-third of children — farmers have had to put aside valuable crop land for a wasted plant.

In a country where general information is so severely circumscribed, innuendoes, puns and astrological signs often play a big role in reading national trends like jatropha. Ever looking for a hidden meaning to the seemingly incomprehensible actions of their leaders, some speculate that the Burmese word for "jatropha" sounds like an inversion of the name of Nobel Peace Prize laureate Aung San Suu Kyi, whose National League for Democracy may be the junta's most potent opposition. By inverting Suu Kyi's name, perhaps the superstitious junta believes that the kyetsuu plant will cause her democracy movement to wither away.

In Rangoon, I watched on television as generals in oversized camouflage hats were pictured shoveling earth to plant jatropha seedlings. Burmese state television shows an inordinate number of ribbon-cutting ceremonies and ground-breaking rituals, in which military men inaugurate the latest project and broadcasters congratulate their efforts. Eventually, as so often happens in Rangoon, the power failed and the T.V. screen went black. Biodiesel may already be contributing to a green solution in some parts of the world, but it hasn't saved Burma yet. ■

www.time.com

The Scramble For A Piece of Burma

By HANNAH BEECH/ Arakan State (Mar 19, 2009)

Last year, the Chinese came. The villagers living in western Burma's remote Arakan state couldn't quite fathom what the Chinese told them, that below their rice fields might lie a vast reserve of oil. For three months the Chinese drilled the earth near the muddy Kaladan River in search of black gold. Then, just as suddenly, they left. In December, the Indians arrived. Through Burmese intermediaries, they took the village's paddies as their own, depriving locals of their main source of income. Compensation was promised, villagers tell me, but none has been paid so far. So the impoverished residents of Mee Laung Yaw village, who lack electricity and eat eggplant curry as a poor substitute for meat, spend their days gazing at their expropriated fields, now fenced in and dominated by an oil-exploration tower that dwarfs their bamboo shacks. Several villagers took lowly construction jobs on the site but they were never paid so they've stopped showing up for work. "I hope they don't find any oil," says village chief. "Because even if they do, none of it will come to us. It will just go to other countries."

Minority Report

Arakan's capital, Sittwe, is a sleepy port near the Bay of Bengal where the pace of life inches along at the speed of a pedicab. But nearby, the rush for oil and gas is intense; last year, Russian, Thai and Vietnamese companies signed exploration deals with the junta. In late December, a consortium of four foreign companies, led by South Korea's Daewoo, inked an agreement with the junta and China National Petroleum Corp. to extract natural gas from Arakan's offshore Shwe fields and pipe it northeast through Burma to China's Yunnan province. The pipeline, along with a plan for a new deepwater port in Arakan where ships laden with Middle Eastern oil can dock and disgorge their valuable cargo, gives China an alternative to the expensive and sometimes dangerous Strait of Malacca by directly supplying energy to its landlocked west. The Shwe project is Burma's largest ever foreign-investment commitment. (The second largest is the Yadana pipeline to Thailand.) Though Arakan sits on the country's biggest oil and natural-gas fields, Sittwe only gets three hours of electricity a day. The town boasts an "e-library" located in a government



Eye on the prize: The remote village of Mee Laung Yaw in Burma's Arakan state is now dominated by an oil-exploration tower (Photograph for TIME by Kemal Jufri/ Imaji)

building, but all the computers sit unused because there is no power during office hours.

When I flew on a wheezing Myanma Airways plane to Sittwe, a squad of military officers with pistols on their hips boarded the flight. As the plane climbed into the air, two men in uniform stood in the aisle and unrolled a large, laminated map that showed the Shwe pipeline route in red. Yet the general public in Arakan has not been told what many suspected and what the map I saw indicated: that the pipeline, on which construction is scheduled to begin this year, will travel through populous areas and will likely result in extensive village relocations. (Both Daewoo and the Indian company exploring for oil in Arakan did not respond to Time's requests for comment.) For locals, reporting what I had seen on the plane could land them in a labor camp for compromising national security. The week before I arrived, several Arakanese with vaguely political backgrounds were rounded up by the police and haven't been seen since. "They close our ears and they close our mouths," says an Arakanese political dissident, noting the heavy Burmese security presence that can make even casual conversation at a teahouse fraught. "And now, they are taking our treasures, our oil and gas. What do we get in return? Nothing." ■

[Hannah Beech , Arakan and Kachin States](http://www.time.com/time/magazine/article/0,9171,1886304,00.html) full length article can see at <http://www.time.com/time/magazine/article/0,9171,1886304,00.html>

Norway's Vast Oil Wealth Fund Drops Chinese Firm

Associated Press, March 13, 2009

Norway's fund for investing its vast oil wealth has blacklisted China's Dongfeng Motor Group Co. Ltd. for ethical reasons because it sells arms supplies to Myanmar's military dictatorship, the finance minister announced Friday.

The finance ministry announced in October it would bar the fund from owning shares in companies that sell arms or military supplies to Myanmar, also known as Burma. This announcement is the first ban under this order.

"We cannot finance companies that support the military dictatorship in Burma through the sale of military materials," said Minister of Finance Kristin Halvorsen. Myanmar has been ruled by a dictatorship since 1962, and in 2007 the rulers staged a violent crackdown on pro-democracy demonstrations in which at least 31 people died and hundreds were arrested.

A news release said Dongfeng had been asked to comment, and confirmed that its subsidiary had sold about 900 military trucks to Myanmar in the first half of 2008.

Norway, a major exporter of oil and natural gas, sets aside surplus central government revenue in the Government Pension Fund-Global - formerly the oil fund - for foreign investment that is now worth about 2.2 trillion kroner (\$319).

In 2004, the government imposed standards on the fund's investments, and created a national Council of Ethics to review company records in such areas as labor rights, environmental issues, human rights and production of nuclear weapons and cluster bombs. ■

Foreign investment in Myanmar doubled in 2008

The Associated Press (March 19, 2009)

Foreign investment in military-ruled Myanmar nearly doubled in the first 11 months of 2008 to \$974.9 million, with China pouring the bulk of it into mining, a government statistics report said.

The total investment from January to November 2008 was a 93 percent increase from the \$505 million registered during the same period of 2007, the Ministry of National Planning and Development said in latest statistical report obtained Thursday.

The report said that the mining industry drew more than 88 percent of the foreign investment in 2008, a new record for that sector. It did not specify which mining industries benefited most.

China accounted for \$855.99 million of the foreign investment, the report said. Newspapers last year reported that China Nonferrous Metal Group, a state-owned company, signed an agreement with Myanmar to mine nickel.

The deal that was described as the largest ever mining deal between the countries but newspapers did not detail figures.

Russia invested \$94 million and Vietnam \$20 million, both in the oil and gas sector, while Singapore invested \$5 million in the mining sector, the report said.

Since Myanmar liberalized its investment code in late 1988, it has attracted large investments in the hydroelectric power and oil and gas sectors.

China is one of Myanmar's biggest trading partners and closest diplomatic allies. Western countries have repeatedly expressed hopes that Beijing will leverage those ties to press the junta to open a dialogue with the opposition.

The United States and European Union have imposed economic sanctions on Myanmar to pressure the military government to improve human rights and release detained pro-democracy leader Aung San Suu Kyi. ■

South Korean Firm Seeks Mining Rights

Xinhua / Feb 6, 2009

A South Korean leading private company is seeking investment in mineral exploration in a major mine in Burma's northern Shan state, the local weekly Yangon Times reported in this week's issue.

Confirmed by the South Korean Embassy here, the Korean HC Co has coordinated with the Burma mining authorities to make investment in the Yadanar Theinki mining block on a mutually-beneficial basis and a field survey running for a period of up to one-year will be conducted by Korean experts soon.

The South Korean company's intentional investment in the mining sector will be the first in Burma, the report said.

According to the journal's report, South Korea stands the fifth largest foreign investor in Burma injecting 10 million US dollars in the oil and gas sector. Total Korean investment amounted to about 350 million dollars in the fiscal year 2007-08.

According to earlier official report, three South Korean companies—Korea Resources Corp (KRC), Daewoo

International Corp and Taihan Electric Wire joined the Canadian company of Ivanhoe in producing copper in three blocks of Sabetaung, Letpadaung and Kyisintaung near Monywa in Sagaing division under an agreement reached among them in January 2006.

The copper mining activities have been undertaken by the Canadian company since 1996 with 39,000 tonnes of copper producing annually.

Other firms engaged in mineral exploration in Burma include those from Australia, China, Japan, Malaysia, Singapore, Thailand and the United States.

Official statistics show that foreign contracted investment in Burma's mining sector has amounted to about 534.19 million US dollars as of the end of 2007 since the country opened to such investment in late 1988, accounting for 3.6% of 14.736 billion dollars' total foreign investment and standing as the sixth largest sector. ■

Continued from Page 8-

many villages near the drilling camp will be forcibly relocated.

Essar Oil, a private Indian oil company, is currently drilling oil and gas in onshore Block L and offshore Block A-2 in the Bay of Bengal, off Arakan State. Essar Oil signed a production sharing contract in May 2005 for both blocks, and has completed 3D and 2D seismic surveying in blocks L and A-2. This was done without any the participation of the local population, which has led to negative impacts on their livelihoods and environment. ■



Blocking Freedom, a report detailing the impacts of CNOOC Ltd.'s oil exploration in Burma and highlighting China's larger oil and gas investment in the country, was recently released by AOW and is available at www.arakanoilwatch.org.

If you would like hard copies of the report in English or Burmese, please email info@arakanoilwatch.org.

Shwe Gas Bulletin Team

Jockai (Editor)
Thura Oo
Misti
James

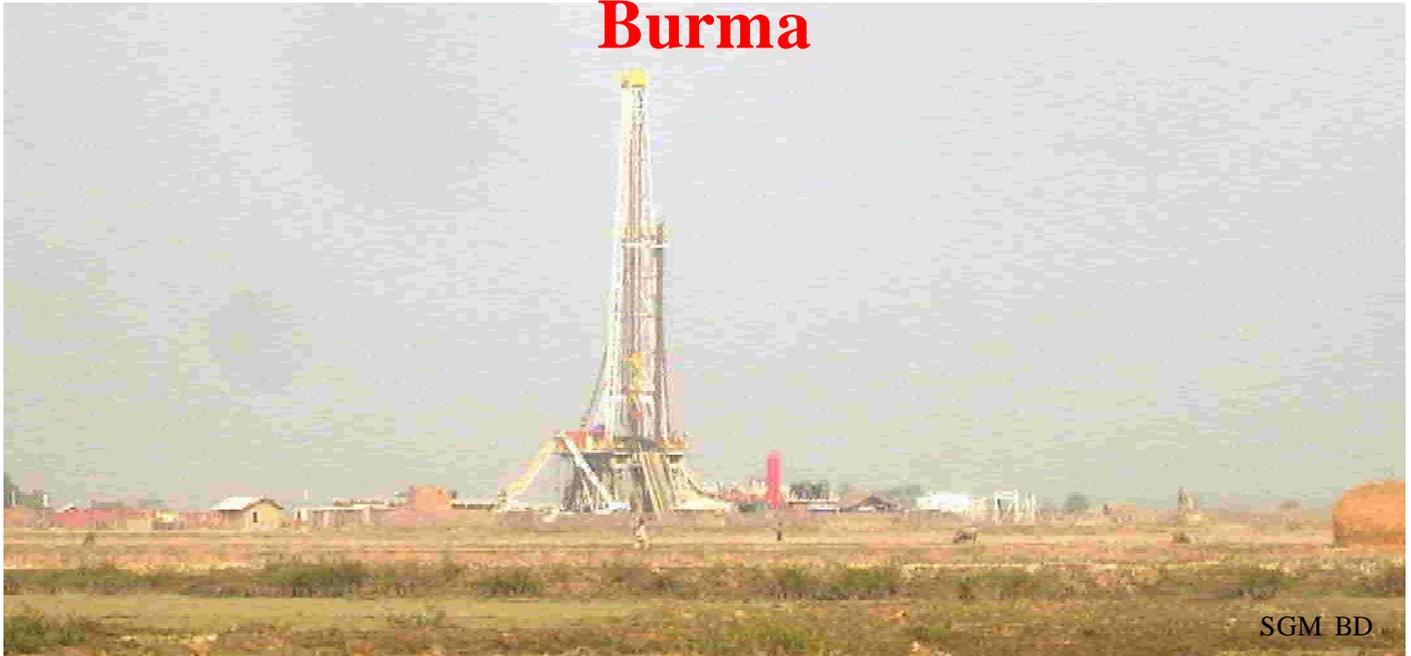
*Layout & Designed by
Herman*

www.arakanoilwatch.org

The Shwe Gas Movement (SGM)

SGM includes regional and international NGOs. The 5 core members are SGM Bangladesh, SGM India, the All Arakan Students and Youth's Congress (AASYC), the Arakan Oil Watch (AOW), and EarthRights International (ERI); partner organizations include the Korean House for International Solidarity (KHIS), the Arakan Federation for Environmental Movement (KFEM), The Other Media in New Delhi, and a global network of activists. For more information and to download the full-length report "Supply and Command," please visit www.shwe.org.

India's Essar Oil Abuses Human Rights in Burma



Essar have started drilling oil in Sittwe Township, block L area in Arakan State since late 2008. villagers lost their rice fields to Essar's drilling camp without or with little compensation.

March 21, 2009 (SGB)

Residents of a local community have lost their land as a result of drilling by India's Essar Oil, in western Burma's Arakan State.

A local resident said that 16 acres of rice plantations, owned by seven people were confiscated without adequate compensation by local authorities. The former farmland is

being used for Essar's drilling camp, and is currently protected by a fence.

Essar Oil has been drilling in onshore Block L, near Arakan's Sittwe Township, since late 2008 after finalizing seismic surveys conducted by the Sichuan Geophysical Company of China in 2007.

According to local people, rice fields, shrimp farms and plantations were destroyed due to seismic

surveying last year. Rice fields now are not able to grow trees, as a result of the surveys a local resident. Limited compensation was given to a few owners who have close relationships with the authorities, but most received none. Some villagers were forcibly hired for construction jobs, and were not paid regularly.

Local people are concerned that if the company finds oil or gas in the area,

Continue to page 7-

The Arakan Oil Watch

PO.Box 43, Phrasing Post Office, Chiang Mai 50205 Thailand

E-mail: Info@arakanoilwatch.org/shwenews@yahoo.com:

Phone: +66 84 046 5813

Monthly Bulletin

www.arakanoilwatch.org/www.shwe.org

To:
.....
.....
.....