



The

Shwe Gas

Bulletin

Volume 3, Issue 5

January, 2009

Shwe Gas Will Be Piped to China for 30 Years Starting from 2012

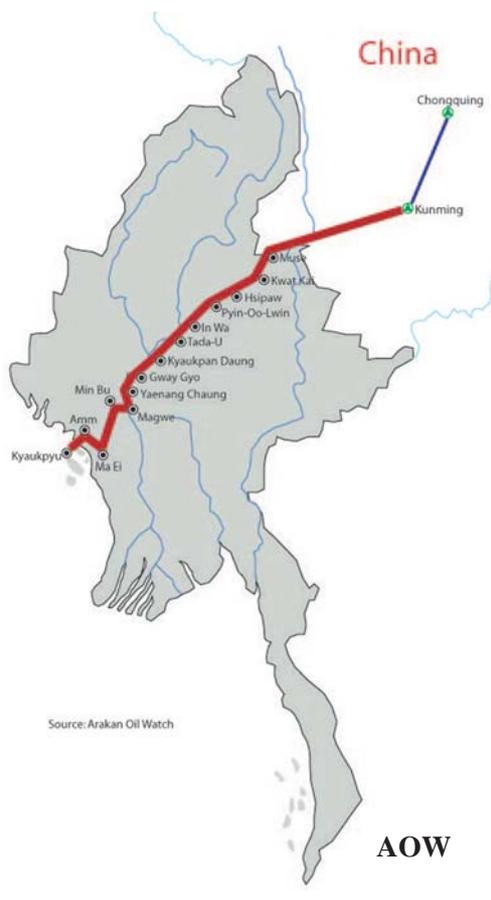
Construction to begin in 2009 despite human rights concerns

Gas from the Shwe Reserve, located off western Burma's Arakan State, will be piped through central Burma to China's Yunnan Province for 30 years starting in 2012, according to media reports.

The final agreement on the Gas sale was made on December 24 of last year between the Shwe Gas project stakeholders and China National United Oil Corp. (CNUOC).

CNUOC, widely known as China Oil, is a PetroChina subsidiary; PetroChina is itself a subsidiary of China National Petroleum Corporation (CNPC). CNUOC is focused on importing and exporting crude oil, natural gas, and refined oil products throughout China and the world.

According to a Memorandum of Understanding entered in June of 2008 between the CNPC and Shwe Gas consortium, the 2,380 km pipeline is projected to cost over US\$ 1 billion and construction is set to begin in mid 2009. The MoU also states that China is to pay an annual transit fee of US\$ 150 million to the Burmese military regime. It is reported that in exchange for the pipeline deal, the Chinese government will provide an additional US\$ 83 million loan to Burma to facilitate the development of its oil resources.



Source: Arakan Oil Watch

AOW

Daewoo International shortlisted two consortia of Hyundai Heavy Industries (HHI), Doris Engineering and Samsung Heavy Industries (SHI), to perform the front-end engineering and design (FEED) of blocks A1 and A3, according to reports from Energy Current. The FEED work is now scheduled for completion by next April,

while the final engineering, procurement, construction, installation and commissioning contracts are to be awarded by mid-2009, according to Energy Current report.

The planned production facilities for the development include a central processing platform, an onshore gas terminal, and onshore and offshore pipelines. The designed production capacity of the project is to be around 600 MMcf/d.

The onshore gas terminal is planned to be built on Burma's biggest Island, Ramree, where environmental and human rights abuses have been occurring as a result of the China-based CNOOC Ltd.'s oil and gas explorations since the beginning of 2005, according to *Blocking Freedom*, a report released by Arakan Oil Watch in October of last year.

The Shwe Gas Movement, a coalition group of NGOs opposed to the construction of the pipeline, warns that the pipeline will result in even more egregious social and environmental abuses within Burma. This is based on the history of the highly controversial Yadana/Yetagun pipeline, and due to the fact that the Shwe pipeline will be seven times longer and will also transect more highly populated areas of the country. ■

Editorial

Big Oil Companies Flouting Intl. Standards in Lawless Burma

Burma is a resource rich country that is gaining increasing revenues from its oil and gas sector, which is currently the military junta's largest foreign income source. AOW estimates that over 50 oil and gas projects are currently under development. However, Burma does not have adequate standards to protect its citizens from the negative social and environmental impacts of oil and gas development. Nor does Burma have any standards for the transparent management of billions in oil and gas revenues.

Many big oil companies from both Western and Eastern countries are poised to shower billions of dollars in oil and gas revenues on the regime. These companies continue to partner with Than Shwe's rights abusing military regime, under whose rule the country has been facing social, economic, and political crises for decades.

As a result of these partnerships, human rights abuses and environmental damage are occurring in ongoing onshore and offshore oil and gas exploration projects. Many of these abuses are occurring in Arakan State, where South Korean, Chinese, and Indian companies are currently drilling in several onshore and offshore blocks. People who have not been allowed to participate in decision-making about their resources have lost their land to the companies' oil and gas exploration and are struggling without compensation. As the presence of Burma's military increasingly grows on land and at sea for the protection of this exploration, the current human rights abuses can be expected to multiply.

According to the final agreement signed in December 2008 between Than Shwe's military regime and China, one of the regime's major political and financial backers, construction on the Shwe gas pipeline will begin this year, mid 2009. The pipeline is expected to run from the western coast of Burma's Arakan State to China's landlocked Yunnan Province, crossing much of central Burma before reaching its final destination near Kunming.

If companies partnering with the military regime fail to follow international standards for the protection of human rights and the environment, pipeline construction will result

in a new nightmare for the millions of people residing along the pipeline route.

From past experiences, we have learned that the construction of gas pipelines in Burma is likely to result in human rights abuses such as forced labor, forced relocation, land confiscation, torture, murder, and even rape of local women. We have also learned that companies partnering with the regime risk complicity in these abuses. Construction of the Thai-Burma Yadana and Yetagun gas pipelines during the 1990s resulted in such abuses, as well as charges against the foreign companies involved. In addition to the abuses, Burma's military regime exacerbates existing poverty and repression by using the revenue to spend millions of dollars on military weapons, including military fighter jets from Russia, instead of supporting its peoples.

The upcoming Shwe gas pipeline from Arakan to Yunnan will provide an estimated US\$ 24 billion over 20 years to the military's coffers, which will likely continue to be misused for building the new Jungle Capital and stockpiling military weapons. The revenues may also be used to finance General Than Shwe's plans to build a nuclear reactor.

It is crucial for major oil companies to follow international standards for the protection of property, human rights, and the environment while operating in Burma. Companies must also strongly encourage the military regime to manage oil and gas revenues transparently and accountably for real social and economic development of the country rather than for the expansion of weapons used against its peoples.

If big oil companies operating in Burma fail to promote and follow international standards, they will be complicit in abuses that occur as a result of their partnerships with the military regime. They will also be responsible for supporting a regime internationally condemned for repression, murder, and abuse of pro-democracy activists and innocent people. ■

Human Rights Abuses in Myanmar?

By David Watermeyer

(Dec 2008 / The Korea Times)

It is tragic, yet sadly unsurprising, that the Korean government has rejected a serious complaint filed against Daewoo International and Korea Gas Corporation (KOGAS) by the Organization for Economic Cooperation and Development (OECD) regarding their “complicity in human rights abuses” in Myanmar (Burma) in the course of building a pipeline through the country.

“Burma” is used here to show solidarity with those who denounce as nothing less than evil the actions of military junta who were responsible for naming the county Myanmar.

According to a news release put out by the Shwe Gas Movement (SGM), SGM global coordinator Wong Aung, a member of the Arakan ethnic group, through whose community the proposed pipeline will traverse, strongly criticized the Korean government’s decision on Tuesday.

An extraction from the report says, “The Korean government has decided to ignore the reality of major resource extraction projects in Myanmar and the specific devastating effects of the Shwe project on the people in the pipeline regions.

The Korean government has a responsibility under OECD guidelines. In rejecting the complaint they are abdicating their responsibility to investigate violations and mediate disputes in line with the guidelines; guidelines to which the have agreed to be obligated.”

All over the world people have watched in horror as atrocity after atrocity is committed by the military junta in that country, where unarmed Buddhist monks were gunned down like flies and rations from foreign countries after Cyclone Nargis devastated the country on May 3 meant for the starving millions by were blocked from delivery by this same military junta in an unspeakable act of callousness.

What is less known is how the junta continues to empower itself to rule over its people through dealings with various other countries and companies.

If these entities would not support the military junta but rather join the rest of the world in condemning and boycotting it, the tyrannical regime would not be able to continue.

The news release said, “Daewoo International and the KOGAS have breached and will continue to breach a



People attend a signing ceremony for a gas sales and purchase agreement with the Shwe Project by the China National United Oil Corporation (CNUOC), Myanmar, and a consortium led by South Korea’s Daewoo International in Yangon, Myanmar, Dec. 24. / Xinhua-Yonhap

number of the OECD Guidelines for Multinational Enterprises related to their activities in Burma (Myanmar).”

“These breaches are related to the companies’ exploration, development, and operation of the natural gas project in Burma known as the Shwe Gas Project, meaning “gold” in Burmese.”

Few are unaffected by the trying economic times we are living in and that may play a part in why KOSGAS and Daewoo International, despite being told clearly at the highest level what is going on, appear to be paying no heed to the cries of the Myanmar population.

But surely there are other options to explore than being complicit in evil. ■

David Watermeyer is a freelance writer residing in Seoul. He can be reached at davidnwatermeyer@yahoo.co.uk. The views expressed in the above article is those of the author and do not reflect the editorial policy of The Korea Times.

**NO MORE GAS
PIPELINE IN
BURMA**

Myanmar's Farmers Pay for China's Oil Thirst

By Marwaan Macan-Markar

Nov 4, 2008 (Inter Press Service)

BANGKOK - The largest island off Myanmar's west coast is emerging as another frontier for China's expanding plans to extract the rich oil and gas reserves of military-ruled Myanmar.

Initial explorations by a consortium, led by China National Offshore Oil Company (CNOOC), has left a deep scar on Ramree Island, which is twice the size of Singapore and home to about 400,000 people. "They have destroyed rice fields and plantations when conducting the seismic surveys and mining the island in search of oil," says Jockai Khaing, director of Arakan Oil Watch (AOW), an environmental group of Myanmar people living in exile.

"The local communities have been directly and indirectly affected," he said. "Hundreds of people have been forced to relocate as a result of the drilling conducted near their communities. The locals hate the Chinese; their world has become crazy after the Chinese arrived."

CNOOC has been pushing ahead with its work since early 2005 with no attempt to consult the local residents and showing little regard to such notions as corporate social responsibility, said Jockai. The Chinese company, which is listed on the New York and the Hong Kong stock exchanges, has "not conducted the required environmental impact assessments and social impact assessments that are recognized internationally as a must before exploration work begins."

To dispose the waste from its drilling sites, "CNOOC workers dug shallow canals designed to carry the [toxic] drilling mud, or wastewater containing oil, away from the drilling sites and into Chaing Wa Creek, which curves past several local farms before flowing into the Bay of Bengal," states a report by AOW, released in mid-October. "This arbitrary disposal can make soil in surrounding areas unsuitable for plant growth by reducing the availability of nutrients or by increasing toxic contents in the soil."

Concerns about the cost of letting China tighten its grip on the natural resources in Myanmar has also been expressed by other groups, including EarthRights International (EI), a US-based group championing human rights. There are 69 Chinese companies involved in 90 "completed, current and planned projects" in the oil, gas



CNOOC's drilling site in Renandaung Village, Kyuk Phyu Township, Ramree Island.

and hydropower sectors in Myanmar, EI said in groundbreaking report released in late September.

That number marks an over 200% increase in the number of Chinese energy developers thought to have existed in the country a year before. "Given what we know about development projects in Myanmar and the current situation, we're concerned about this marked increase in the number of the projects," the rights lobby stated in the report.

"China is using Myanmar's military dictatorship to its advantage as it goes in search of oil and gas. There are no rules and regulations for Chinese companies to follow in Myanmar," Ka Hsaw Wa, executive director of EI, said in an IPS interview. "This will hurt the future of Myanmar."

Such criticisms come at a time when China has begun to show signs that the environmental cost of its projects abroad cannot be ignored. "The country lacked comprehensive environmental protection policies in its overseas projects, although investment had been expanding," states a report released in mid-September by the Chinese Academy for Environmental Planning (CAEP), according to the China Daily newspaper.

"China's overseas investment and aid mainly focuses on exploring oil and other resources, processing and manufacturing, and construction in African and Southeast Asian countries," the English-language, Chinese government-owned daily said. "Without proper



Land that was confiscated for CNOOC's drilling site in Laydaung, Ramree Island.

management, such projects are likely to cause environmental problems, the [CAEP] report said.”

Myanmar will prove to be an ideal testing ground, given that China has emerged as the biggest investor in the military-ruled country's power sector. The money flowing in from such foreign direct investments and the sale of gas has helped to prop up a junta notorious for suppressing its people through many forms of abuse.

In 2006, the government of Myanmar earned an estimated US\$2.16 billion from sales of natural gas to Thailand, which accounts for close to half of Myanmar's export earnings and is the single largest source of foreign earnings. In 2008, Myanmar is expected to earn \$3.5 billion from export of gas, according to one estimate.

But few of these benefits trickle down to the country's people. Consequently, Myanmar ranks as one of the world's least-developed countries. Nor has having abundance of

natural resources improved the power supply in the country either. Regular blackouts are frequent in Yangon, the former capital, and elsewhere.

The government has profited in other ways, too, from China's energy interest in Myanmar. “Beijing has come to the junta's rescue and protects it from criticism at international forums like the UN Security Council,” says Win Min, a Myanmar national security expert teaching at a university in northern Thailand. “A strong relationship of mutual benefit has developed since 1988.”

In exchange for letting Chinese companies exploit its natural resources, the Myanmar leadership has received military hardware from Beijing. They range from fighter jets and armored carriers to small weapons, Win Min told IPS. “The junta will open the country to China because the military regime needs Beijing more than the other way around.” ■

China Leads Surge in Foreign Investment in Myanmar during First 9 Months

Jan 5, 2009 (AP)

YANGON, Myanmar - Foreign investment in Myanmar — much of it from China — nearly doubled in the first nine months of 2008 compared to the same period last year, according to government statistics seen Monday.

Mining accounted for more than 88 percent of the total foreign investment — a record for that sector.

Investment from January to September last year jumped to \$974.9 million dollars from \$502.5 million in the same period the previous year, said the Ministry of National Planning and Development in its latest statistical survey.

That was the second-highest amount for this nine-month span after 2006, when Thailand built a hydroelectric plant.

China accounted for \$855 million of the \$860.9 million invested in mining while Russia and Vietnam added \$114 million in the oil and gas sector. China has signed a number of agreements with the resource-rich country to mine gems, gold and nickel.

The U.S. 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.

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

Myanmar, Russia to Jointly Explore Oil, Gas

www.chinaview.cn 2008-09-09

YANGON, Sept. 9 (Xinhua) — A Myanmar's oil company and a Russian one will jointly explore oil and gas in two onshore areas in Myanmar, the state-run newspaper New Light of Myanmar reported Tuesday.

According to a production sharing contract signed last weekend between the state-operated Myanmar Oil and Gas Enterprise (MOGE) and the Closed Joint Stock Oil Company "Nobel Oil" of the Russian Federation, the exploration will be done in Hukaung and U-ru regions.

Other three Russian oil companies have been engaged in oil and gas exploration in Myanmar under respective

contracts since 2006. The first, which is JSC Zarubezhneft Iteraaws along with the Sun Group of India, has been exploring oil and gas at block M-8 lying in the Mottama offshore area.

The other two Russian companies — Silver Wave Sputnik Petroleum Pte Ltd and the Silver Wave Energy Pte Ltd of Kalmykia have been drilling Zeebyutaung test well-1 at the inland block B-2in Pinlebu township of northwestern Sagaing division under similar contract reached in March 2007. ■

Vietnamese Companies to Explore Oil and Gas in Myanmar Offshore Area

www.chinaview.cn 2008-04-10

YANGON, Oct. 4 (Xinhua) — Two Vietnamese oil companies have reached a production sharing contract with Myanmar to explore oil and gas in the country's offshore area, the official newspaper New Light of Myanmar reported Saturday.

Under the contract signed in Nay Pyi Taw between the Petrovietnam Exploration Production Corporation Ltd and the Joint Venture Vietsovpetro of Vietnam and Eden Group Co Ltd of Myanmar, and the state-run Myanmar Oil and Gas Enterprise, such exploration on mutually beneficial basis will be undertaken by the three parties at Block M-2 in Myanmar's Mottama offshore area, the report said.

It is the first engagement of Vietnamese companies in Myanmar's oil and gas sector and the move came more than a year after the two countries initiated a memorandum of understanding on strategic cooperation in oil and gas during Vietnamese Prime Minister NguyenTan Dung's visit to Myanmar in August 2007.

Myanmar has abundance of natural gas resources in the offshore areas. With three large offshore oil and gas fields and 19 onshore ones, Myanmar has a recoverable reserve of 18.012 trillion cubic-feet (TCF) or 510 billion cubic-meters

(BCM) out of 89.722 TCF or 2.54 trillion cubic-meters (TCM)'s estimated reserve of offshore and onshore gas, experts said, adding that the country is also estimated to have 3.2 billion barrels of recoverable crude oil reserve.

Statistics reveal that foreign investment in Myanmar's oil and gas sector had reached 3.243 billion dollars in 85 projects as of the end of 2007 since the country opened to such investment in late 1988, standing the second in the country's foreign investment sectorally after electric power.

In 2007, foreign investment in the oil and gas sector more than tripled to 474.3 million U.S. dollars compared with 2006, accounting for 90 percent of the total during the year which stood 505.02 million, according to the Ministry of National Planning and Economic Development.

Currently, 13 foreign oil companies, mainly from Australia, Britain, Canada, China, Indonesia, India, South Korea, Malaysia, Thailand and Russia, are involved in oil and gas projects in Myanmar, according to official sources.

Statistics show that natural gas topped Myanmar's exports in 2007-08 with 2.594 billion dollars, up 27.7 percent from 2006-07's 2.03 billion dollars, representing 42.9 percent of the total exports during the year. ■

Thai PTTEP's Blocks M7 & M3: Lack of Commercial Viability Costs Millions

Jan 2009 (SGB)

While Thailand is piping in over 20% of its country's natural gas from Burma's Yadana and Yetagun pipelines, it is also conducting further oil and gas exploration in Burmese waters to alleviate the growing energy consumption of the country.

However, January media reports stated that two of the Thai state-controlled PTT Exploration & Production's PLC (PTTEP) projects, block M7 and M3, are not considered commercially viable.

PTTEP was forced to write off the THB 975 million (US\$ 27 million) incurred during the exploration of the Janaka-1 well, part of the M7 field, located in the Gulf of Mataban. Spudded on August 8, the well was drilled to 3,581 meters. Though it did encounter three petroleum bearing formations with a total thickness of 18 m, in addition to natural gas deposits, the well was declared noncommercial. Janaka-1 was the first exploration well drilled by the Thai state-controlled group in the 13,302 sq km M7 field.

PTTEP Chief Executive Anon Sirisaengtaksin said the company, which holds a 100% stake in block M7, will conduct additional studies and will re-evaluate the petroleum potential with a view towards planning further exploration in the near future. Additionally, PTTEP also concluded that

the gas discovery in the Janaka-2 exploration well, located in block M3, is not enough to establish a viable commercial enterprise. The approximate cost of the exploration, THB 930 million (US\$ 26.65 million), will be another write off that the company is forced to make in the fourth quarter accounting period of 2008.

The M3 test well was spudded on September 28, 2008, and was drilled to a total depth of 3,351 meters. The Janaka-2 well discovered one petroleum bearing formation of 4 meters. PTTEP is the operator of Block M3, and has an 80% interest in the field. China's CNOOC Myanmar Limited controls the other 20% interest. The companies will continue to conduct additional studies in the near future, and evaluate the petroleum potential for further exploration in the region.

PTTEP has contracted Seadrill for exploring at least two wells in the Gulf of Thailand. Seadrill was recently awarded the delivery of the jackup rig, West Ariel, from Keppel FELS. The rig is the Norwegian contractor's fourth class jackup, according to Oil and Gas Journal.

Thailand's PTTEP has interests in one of Burma's onshore blocks and eleven offshore blocks, all of which are in different phases of development. ■

Thailand Delaying Plans to Build Another Gas Pipeline in Burma

Jan 2009 (SGB)

Thailand's PTT is stalling plans to buy natural gas from the M9 field in Burma's Gulf of Moattama, initially scheduled for production by 2012/2013, stated Chitrapongse Kwangsukstith, PTT's Chief Operating Officer, according to reports from Reuters.

Thailand had previously planned to build an inland pipeline through Burma in order to transport gas from block M9 to Thailand.

The M9 block is located about 300 km (186 miles) south of Yangon and was discovered by PTTEP, a PTTE/BK subsidiary in early 2007. PTTEP owns 100 percent of block M9, which has an estimated 8.0 trillion cubic feet of gas. The deepening of the global financial crisis and the sharp drop in energy prices is said to have forced PTT, as well as other energy firms, to scale back spending and delay projects. ■

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 Korean 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.

Exploration heightens tensions between Burma and Bangladesh

Jan 21, 2009 (SGB)

Tensions between Burma and Bangladesh escalated in early November of 2008 in the highly contested waters of the Bay of Bengal. The dispute arose when two Burmese naval warships accompanied four Burmese exploration vessels to a location 50 nautical miles south-west of Bangladeshi owned St. Martin's Island. The Burmese team was on assignment to conduct preliminary tests in a block AD7, owned by Daewoo International.

Bangladesh responded to the attack on its territorial sovereignty by dispatching three of its own naval



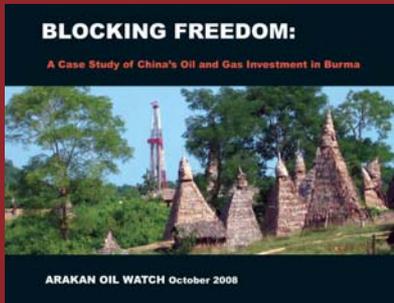
Bangladesh Navy

vessels to patrol the movements of the Burmese exploration team, while diplomats from each side began high level talks. The standoff only lasted a week, after which the Burmese naval and exploration vessels were reluctantly called back by the SPDC. However diplomatic talks concerning

the maritime boundaries of both countries are ongoing.

Experts believe that the Bay of Bengal may prove to be rich in natural resources, and both poverty-stricken nations will be very keen to hold on to as much of it as they possibly can.

Under the UN Convention Law of the Sea, Burma must submit its boundary proposal for review by May 21st of this year, and Bangladesh by July 27, 2011. The next scheduled round of talks is to begin in late January, with additional negotiations to follow prior to Burma's proposal to the UN.



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.

The Arakan Oil Watch

PO.Box 184, Mae Paing Post Office, Chiang Mai 50301 Thailand

E-mail: arakan_ow@yahoo.com/shwenews@yahoo.com:

Phone: +66 84 046 5813

Monthly Bulletin

www.arakanoilwatch.org/www.shwe.org

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