



*The*

# Shwe Gas

*Bulletin*

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## Mekong River and Burma: China's two Plans for Secure Energy Transportation

*Jan 2, 2007(SGB)*

In order to bypass the Strait of Malacca, China has set two main plans for secure oil transport via the Mekong River and Burma.

In late December, China began using the Mekong River for shipping oil, with two ships carrying 300 tons of refined oil from Chiang Rai in Thailand to Yunnan province in China. Last March, China, Laos, Burma and Thailand agreed to allow a monthly shipping quota of 1,200 tons of oil via the Mekong, setting the quota for safety reasons. However, the three Southeast Asian nations later agreed to raise the quota after China set up an emergency response team that it claims will ensure that oil is shipped safely on the river.

China will now ship around 70,000 tons of refined oil each year from Thailand by way of the Mekong, Qiao Xinmin, chief of the provincial maritime affairs bureau, told Xinhua news agency. Experts say that the waterway will serve as an alternative to the Strait of Malacca as a route for oil shipping and will help ensure oil supply to Yunnan and larger southwest China.

Roughly 80% of China's fuel supplies currently flow through the narrow, pirate-infested Strait of Malacca, which is positioned between peninsular Malaysia and the Indonesian island of Sumatra. On the strategic front, Beijing has repeatedly expressed its concerns that in a potential conflict US naval vessels could move to choke



*Mekong River*

off Chinese fuel shipments through the waterway.

The 4,880 kilometer Mekong River, called the Lancang in China, rises on the Qinghai-Tibet Plateau and flows through China, Burma, Laos, Thailand, Cambodia and Vietnam to the South China Sea. An estimated 60 million people in Southeast Asia live along the Mekong's muddy banks and depend on it for food, transport and water. Environmentalists are concerned that an oil spill would seriously harm marine life and the millions of people who depend on the Mekong.

Moreover, China and the Burmese military regime have reached an agreement to build an inland oil pipeline

from Kyaukphyu in Arakan State to Kunming in Yunnan province. The plans include construction of a deep sea port in Kyaukphyu. Scheduled for completion in 2009, the pipeline will be able to transport oil and gas from the Andaman Sea, as well as oil and gas shipped to the port from the Middle East and Africa.

Since 2005, China's oil companies have been drilling oil and gas in Kyaukphyu, in the onshore block M area and the offshore block A-4 area of Arakan State. China plans to transport Arakan oil and gas via the

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# Editorial

## Get Out of Burma, Activist Group Tells China

**A**rakan Oil Watch (AOW) strongly oppose the signing on Jan 15 of a production sharing contract for oil and gas exploration in three deep-sea blocks off Burma between the illegitimate Burmese junta and China.

It is demanding that China stop exploiting Burma's oil and gas for its own gains at the expense of the Burmese people's suffering.

State-owned China National Petroleum Corp (CNPC) signed the contract just two days after China and Russia vetoed a UN Security Council resolution on Burma to highlight the worsening conditions in the country. It is clear now that these countries have only self interest in mind.

Foreign oil companies such as those from China, Russia, India and South Korea get access to Burma's natural resources by providing money as well as arms to the military regime. This ensures that the people of Burma will continue to be terrorized and abused by a government that rules from the barrel of a gun.

Oil and gas investors finance the killing of innocent women and children in Burma, and China will have blood on her hands as a co-conspirator in this genocide.

China's new oil contract also means that there will be more negative impacts on human lives, environments and biodiversity, both marine and inland.

Already, fishermen in Arakan state face a variety of human rights abuses from the Burmese navy's greater presence in the area. Their livelihood is also affected as fish have become scarce after seismic tests on the seafloor.

Another Chinese concern, China National Offshore Corp (CNOOC), has taken over traditional oil fields and land seized from local people for its own exploration in block M (3,008

sq mile), Kyauk Phyu in Arakan. CNOOC and its partners signed contract in Oct 2004.

Thousand of families in the Block M area depended on oil drilling by hand for their daily survival. Their livelihoods and future are now under threat. Oil and gas exploration is capital intensive and creates few jobs for local people.

Foreign oil companies' investment in the financial years 2005-06 reached US\$2.7 billion. The regime also earned over US\$1 billion from 9.13 billion cubic meters of gas exports to Thailand during the year. It expects to earn over US\$52 billion from the sale of gas from Arakan block A-1 and A-3.

The billions of oil and gas dollars will not bring development of the country, rather it will prolong the mis-governance of the country.

It is time for people of Burma who respect human rights and democracy to oppose the regime's main supporters like China.

**Arakan Oil Watch urges the people of Burma and the international community to oppose the investment by China and other oil and gas companies in Burma. Stop China to stop the suffering in Burma.//**

**The Arakan Oil Watch (AOW) is an Independent organization and monitors oil and gas exploration in Arakan and the whole Burma. AOW is a partner of the Shwe Gas Movement.**

# Year 2007: MPRL and China Heighten Burma's Energy Sector

Jan 19, 2006 (SGB)

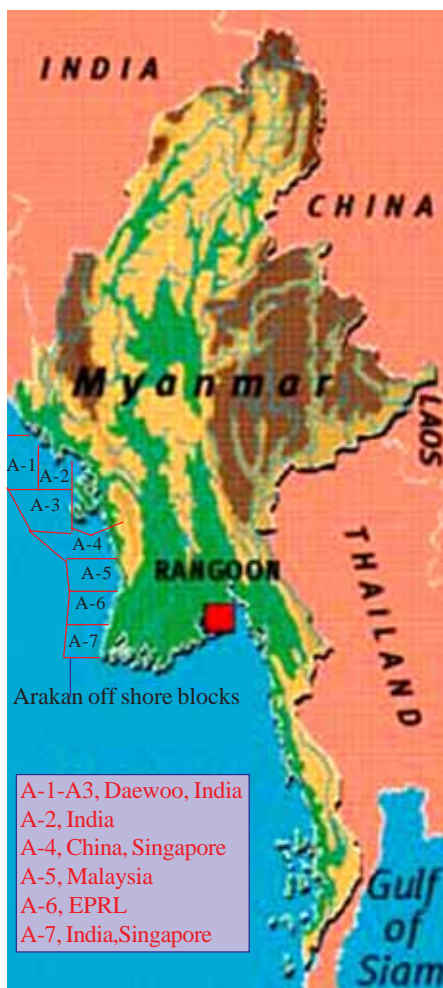
MPRL E&P Pte. Ltd., an oil company based in the British Virgin Islands, signed a Production Sharing Contract for Burma's Arakan Offshore Block A-6 on January 18, 2007. The contract was signed with the (Burma) Myanmar Oil & Gas Enterprise (MOGE), the official newspaper New Light of Myanmar reported.

Block A-6 covers an area of approximately 9,830 square kilometers and is located on the Arakan coastline just south of Blocks A-1, A-3 and A-4, which are currently operated by Daewoo and CNOOC respectively. Originally, Block A-6 was explored by MCSI (Cities Services Inc.) and MOGE, when a 2D seismic was run in the early 70's. A non-exclusive shallow marine survey was also performed by CGG in 1993, for a total of 1,870 line kilometers.

MPRL E&P Pte. Ltd. currently operates an onshore Production Enhancement Contract (PCC) with MOGE in the geologically complex Mann Oil Field, which is located in the Central Burma Basin. MPRL has been involved in this project since September 1997.

Earlier this month, China National Petroleum Corporation International Ltd. (CNPC) of China and MOGE also signed contracts to explore oil and gas at three deep-sea blocks, AD-1, AD-6 and AD-8, which cover a total area of approximately 10,000 square kilometers off the same Arakan coast. In December of last year, GAIL of India and Silver Wave Energy of Singapore signed a contract with MOGE to conduct oil and gas exploration and production at Block A-7, which is also in the Arakan offshore area.

There have been a number of foreign oil companies exploring gas in the Arakan offshore area in recent years.



These companies include a consortium led by South Korea's Daewoo International Corporation, which has 60-percent stake. Other consortium companies include South Korea Gas Corporation, ONGC Videsh Ltd of India and Gas Authority of India Ltd (GAIL). The consortium found gas deposits at Block A-1 (Shwe field and the Shwephyu field) and Block A-3 (Mya field) off the Arakan coast in January 2004 and April 2005 respectively. The Shwe field holds a gas reserve of 4 to 6 trillion cubic feet (TCF) or 113.2 to 170 billion cubic meters (BCM), while experts estimate that the Shwephyu 5 TCF and the Mya

2 TCF have a combined proven reserve of 5.7 to 10 TCF.

Burma has an abundance of natural gas resources in the offshore areas. With three main large offshore oil and gas fields and 19 onshore ones, Burma has proven recoverable reserves of 18.012 TCF or 510 BCM out of the 89.722 TCF or 2.54 trillion cubic meters (TCM) of total estimated reserves of offshore and onshore gas, experts say. Official statistics indicate that the country is also estimated to have 3.2 billion barrels of recoverable crude oil reserves.

The Burma figures also show that in the fiscal year 2005-06, which ended in March, the country produced 7.962 million barrels of crude oil and 11.45 BCM of gas. Gas export during the year went to 9.138 BCM, earning over 1 billion U.S. dollars.

Available statistics reveal that, since the country opened to foreign investment in late 1988, investment in Burma's oil and gas sector had reached 2.635 billion dollars at the end of the fiscal year 2005-06. With such high numbers, the oil and gas sector dominates the country's foreign investment.//

## Burma to Grant Malaysian Firm block A-5 for Gas Exploration

Source: Xinhua News Agency, January 29, 2007

The Myanmar energy authority is likely to grant an offshore block to a Malaysian company for oil and gas exploration and production, the English-language Myanmar Times reported Sunday.

Quoting sources close to the Ministry of Energy, the report said Malaysia's Rimbanan Retrogas Ltd is probably to be granted rights for such undertaking at A-5 deep-water block off the western Rakhine coast.//

# Burma Finds Willing Arms Suppliers in Energy-Hungry Neighbors

By Michael Black and William Couchaux / 03 Jan 2007  
World Politics Watch Exclusive

In an effort to bolster its armed forces, Burma's ruling junta continues to diversify the sources of its military hardware, finding willing suppliers in countries that are eager to gain access to the Southeast Asian nation's abundant energy resources. Although China remains the principal dealer of military equipment to Burma, India has recently offered a multi-million dollar military assistance package to the junta's leaders.

According to the New York-based watchdog Human Rights Watch, the assistance package, presented by Indian air force chief S.P. Tyagi on a visit to Burma's new administrative capitol at Naypyidaw in late November, would include light helicopters capable of being modified to launch aerial assaults, avionics upgrades for the regime's fighter jets and naval surveillance aircraft. The assistance, which is likely to be provided through "soft loans" or other very favorable terms, has drawn international condemnation and sparked concerns from human rights groups that the weapons will be used to attack civilians in the government's continued assaults against the country's minority ethnic groups.

## Arms for Gas

Weapons and military equipment purchases by Burma's ruling junta, the State Peace and Development Council (SPDC), have substantially increased in recent years as the generals have gained significant earnings from the sale of natural resources to energy-hungry countries in the region. Claiming to have the world's 10th largest gas reserves, with an estimated 90 trillion cubic feet of natural gas, Burma is strategically situated between two of the world's fastest growing economies. In efforts to meet their growing energy needs, India and China are vying for leverage with Burma's

generals. It comes as no surprise that both countries have been offering attractive military assistance packages to the junta.

India is simultaneously stepping up both military assistance and energy deals with the junta, signaling its intent to counter China's influence in Burma. In December, the day after the release of Human Rights Watch's report critical of India's proposed military assistance to the junta, Burma Military Chief of Staff Gen. Thura Shwe Mann reportedly met with the leader of the Indian Armies Eastern Command, Lt. Gen. Arvind Sharma, to discuss joint counterinsurgency



training exercises. The meeting coincided with the announcement that India had signed yet another deal to acquire exploration rights to Burma's offshore gas fields.

The state-run Gas Authority of India Limited (GAIL), in partnership with Singaporean company Silver Wave Energy, signed a deal with Burma last year to explore a natural gas block off the coast of Arakan State. GAIL, having secured shared agreements to develop other blocks in past years, is now involved in the exploration of more than 10,000 square kilometers in the Bay of Bengal. Other partners in Burma's natural gas blocks include the Korean Gas Corporation, India's Oil and Natural Gas Corporation, and South Korea's leading export trading company, Daewoo International.

The recent indictment in South Korea of 14 Daewoo officials illustrates how close the relationship between arms deals and natural gas concessions can be in Burma. The executives are being charged for illegally transferring weapons technology to Burma, technology that is reportedly being used to build an artillery shell production facility. Daewoo is now facing pressure on multiple fronts. Months before the recent legal proceedings against Daewoo executives, demonstrators were active around the globe denouncing the corporation's projects in Burma's gas fields, claiming that proceeds from Daewoo's ventures will only bolster Burma's

oppressive military regime and further degrade the country's vulnerable environment. Even stronger public criticism and outcry has followed the allegations of Daewoo's direct support of Burma's military machine.

For years, the United States and the European Union have imposed sanctions on Burma's military regime, but the sanctions' effects have been minimized with the willingness of neighboring countries to cooperate with the junta. For both China and India, energy security is of primary concern, and both countries claim that discouraging human rights abuses and encouraging democratization are better done through engagement than through punitive sanctions. Furthermore, the energy-hungry rivals seem content to see potential European and American competitors sidelined by the sanctions.

Nonetheless, the United States is pushing ahead with efforts in the United Nations to adopt a resolution condemning Burma's junta. But it appears unlikely that the U.N. will be able to impose sanctions against the military regime; China, a permanent member of the U.N. Security Council, likely would use its veto power to thwart sanctions. Beyond its energy interests, the Chinese government does not want to condemn the SPDC's human rights record for fear of inviting criticism against its own abuses.

### ***Burma's Military***

Burma's armed forces, the Tatmadaw, is Southeast Asia's second largest conventional force, estimated at over 400,000 troops. It has more than doubled in size since the SPDC took power in 1989. Outside of guerilla warfare proficiency honed over the past half-century in battling various domestic insurgencies, the Tatmadaw remains largely inexperienced as a conventional fighting force, according to security analysts. Despite its already large size, Burma's regime continues an aggressive recruiting campaign, which has been widely criticized for targeting child soldiers.

Sources within the Tatmadaw suggest morale is low. "It's a matter of the haves who are a small minority and the have-nots who are the masses. The haves can afford to buy the loyalty of the few around them while the majority is at best discontented," noted one source.

Other obstacles faced by the Tatmadaw are lack of experience and a regime that has chronically ignored the importance of weapons maintenance. The Tatmadaw's arsenal is "thoroughly dysfunctional and a logistical nightmare," a Rangoon-based military analyst told World Politics Watch. "Their inventory is a complete mess. They thought it was a good idea to diversify and rely on numerous

## **India to Supply Weapons to Burma**



*The Indian minister of external affairs, Pranab Mukherjee, left, during recent talks with Prime Minister General Soe Win of Burma, right. India takes a different position on democracy and human rights in Burma than the United States does. Mukherjee has characterized the issue as an internal matter for the Burmese to handle. ( Agence France-Presse)*

*Jan 22, The Hindu epaper*

Naypyitaw: India has promised Myanmar's military rulers a "favourable response" to their request for military equipment.

External Affairs Minister Pranab Mukherjee conveyed the Indian decision to Vice-Senior General Maung Aye, number two in the hierarchy of the military-run State Peace and Development Council regime, during a 45-minute meeting held on Sunday morning.

Speaking to reporters afterwards, Mr. Mukherjee said he told his hosts that India was willing to expand the ambit of military cooperation between the two countries. A specific request for equipment had been made by General Thura Shwe Mann, the regime's number three, during his visit to Delhi last December. "We have examined that request and decided to give a favourable response," Mr. Mukherjee said.

Though Indian officials said they would only provide more details about the nature of the equipment when the actual transfers took place, Myanmar opposition groups and publications such as irrawady.com have reported in the past that the Myanmar military was seeking helicopters, mortars and radar equipment from India.//

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sources [for military supplies] in case one or another would cut them off. But they didn't take into account the adverse effects this would have on their ability to acquire spare parts."

At the moment, China provides 90 percent of Burma's military hardware, according to a National Endowment for Democracy report. China's total military aid to the SPDC since the junta came to power in 1989 is estimated at \$1.6 billion. But the Chinese equipment is said to be of poor quality. "Even the Burmese don't like it. That's why they continue to look to Russia and North Korea for superior weapons systems," noted a Bangkok-based diplomat. Other sources that supply Burma's military include Serbia, the Ukraine, Israel and Pakistan.

Burma's weapons production capabilities remain limited. While the country can manufacture small projectiles of low quality, for example, it lacks the means to produce fuses for artillery rounds. While the Tatmadaw does have a handful of more advanced weapons systems, it rarely trains with them due to the expense of ammunition and, as such, is largely inept in their use. Moreover, some of the larger guns in the Tatmadaw's inventory are impractical for deployment in the rugged, mountainous terrain that characterizes much of where it fights in Burma. While the specific components of India's military package to the SPDC have yet to be verified, it is unlikely it will significantly boost the Tatmadaw's overall military capability. "The Indian package will include outdated technologies from the 1960's, expired ammo and the likes. Basically junk," observed an Asia-based diplomat who spoke to World Politics Watch. He argued the package is a means for India to offload old supplies during a reorganization of its equipment warehouses. Regardless, the recent arms package likely will sweeten India's bids for energy exploration permits.

Although official figures on Burma's military spending are not available, the last report compiled by the U.S. Embassy in Bangkok, in 1996, estimates military spending makes up as much as 40 percent of "overall government expenditures." Most estimates agree this amount has increased in recent years. Given Burma's poverty, the huge proportion of national revenue dedicated to bolstering defenses reflects the paranoia of its ruling generals. Beyond the legitimate fear of a popular uprising, the SPDC's leaders, who reportedly often rely on astrologers' advice to guide policy decisions, have long been wary of a U.S.-led invasion of Burma. However unlikely the prospects of U.S. intervention in the country seems from the outside, all indicators point toward a continued drive by the junta to bolster the Tatmadaw.//

## Burma Prefers Arakan Gas as an LNG Project

*Korea and Japan are Top Bidders*



*Sodegaura factory LNG tank, BJapan*

*Jan 17, 2006 (SGB)*

Burma is likely to pursue a Liquefied Natural Gas (LNG) project to exploit natural gas finds in Arakan blocks A-1 and A-3. Japan and Korea are the most likely destinations for sale of the LNG.

After finding the bids for selling gas through a pipeline to China, India or Thailand "unsatisfactory", state-run Myanmar Oil and Gas Enterprise (MOGE) in early December called for bids for selling 3.5 million tons per annum of LNG from Daewoo's A-1 and A-3 blocks. The proposed Rs 8,500-crore Burma-India gas pipeline is on the verge of being shelved.

Marubeni of Japan and state-run Korea Gas Corp. (KOGAS) have emerged as the top bidders for the LNG. The Japanese firm is believed to have offered a price close to seven dollars per million British thermal unit (mBtu). India's GAIL offered approximately 5 dollars per mBtu, the same price offered for gas transported via an onland pipeline, Press Trust of India (PTI) reported early this month. Marubeni is Japan's number five trading house and KOGAS is the world's biggest buyer of LNG, supplying all of South Korea's demand.

The source told PTI that Daewoo has already written to GAIL to inform the company that its bid was not accepted: "Officially, the bids are still under evaluation but companies like GAIL have already been informed of rejection of bid." Ten companies, mostly from China, Japan, Korea and India, have placed bids.

Daewoo is the operator of the blocks with a 60 percent stake, while Korea's KOGAS has 10 percent interest. The remaining is held by India's ONGC, which has 20 percent, and GAIL, which has a 10 percent stake.//

## Daewoo President Resigned

Jan 1, 2007 (SGB)

Daewoo International President Lee Tae-Young resigned from the company after his first court appearance on December 28 last year, on charges of illegally selling weapons to the Burmese military regime. Fourteen top executives from seven South Korean firms, including Lee Tae-Yong, could face a prison sentence of up to five years. The trial is still ongoing.//



China's two plans via Burma and the Mekong River for secure energy transportation

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inland oil pipeline, which will travel from Kyaukphyu to Mandalay, through Shan State, and into Kunming. The pipeline route feasibility study was completed last year.

Human rights and environment activists fear environmental devastation and human right abuses along the proposed pipeline route, which is under the control of Burma's brutal army.//

## Nine Daewoo Oil Workers Kidnapped in Nigeria

Jan 15, (SGB)

Nine oil workers from South Korea's Daewoo Engineering and Construction Co., along with one local, were abducted on January 10 by armed men in the oil-producing southern region of Nigeria, according to South Korea's Foreign Ministry.

After South Korean diplomats and an undisclosed militant group reached agreement on their release, the kidnapped workers were expected to be handed over to their South Korean employer on January 12. The terms of deal are unknown.

This is the second time in less than a year that South Korean workers in Nigeria have been kidnapped. Five South Koreans, including three Daewoo officials, were kidnapped last June from a construction site in the Niger Delta. They were released three days later after their company reportedly paid an undisclosed amount of ransom money.

Kidnappings for ransom and attacks on the industry are frequent in the area.

The Movement for the Emancipation of the Niger Delta is still holding three Italians and a Lebanese worker abducted December 7, just as another group is still holding five Chinese abducted last Friday.

The oil-rich Niger Delta has long been restive as residents have protested pollution caused by the petroleum industry and the lack of funds invested in the region, which is impoverished



Armed men in the oil-producing southern region of Nigeria

despite being rich in natural resources. Insurgents have repeatedly tried to use attacks to disrupt the industry.

Nigeria is the largest oil producer in Africa and receives more than 90 percent of its oil revenues from the Niger Delta region.

Less than a week before the kidnapping, five Chinese telecom workers were seized by gunmen in another area of the volatile Niger Delta.//

Source: BBC

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*Contributions of pictures, articles, news, or research papers are welcome. Any suggestions or advice to improve the quality of news and information sharing from you are most valuable to us.*

# Thailand's PTTEP Has Discovered Gas in Burma

Jan 1, 2007 (SGB)

Thailand's state-owned PTT Exploration and Production (PTTEP) has discovered an estimated 2.5 trillion cubic feet (75 billion square metres) of natural gas in Burma's M-9 block in the Moattama Gulf, reported The New Light of Myanmar.

According to the report, PTTEP, Thailand's largest exploration firm, began drilling in early December in block M-9. Arrangements are underway to drill six more test wells at M-9 in the open season of 2007, and the total gas deposit is expected to be above 8 TCF.

PTTEP signed a production-sharing contract with the Burmese military regime for the exploration and production of oil and gas from block M-9 in November 2003.

Thailand is currently buying natural gas from the Yetagun gas field, off the coast of Tanintharyi in the Gulf of Martaban, and from the Yadana gas field located north of the Yetagun field. Natural gas from Burma currently accounts for some 20 percent of Thailand's supply.

PTTEP and the Burmese military regime have agreed to 25-year contracts for exploration and production of oil

and gas at the M-3, M-4, M-7, M-9 and M-11 blocks, all in the Moattama Gulf 250-300 km south of Yangon.

Altogether, 25 offshore blocks in Burma are now under exploration, of

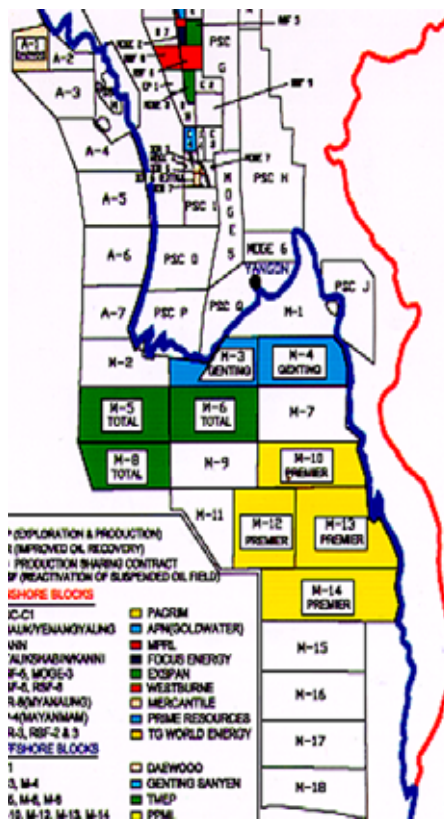
which 12 are in the Moattama Gulf, six off the Tanintharyi coast and seven off the Arakan coast.

According to official data, Burma produced 377,584.03 million cubic feet (MCF) of gas and 7.484 million barrels of crude oil in the 2004-2005 (April/March) fiscal year.

Burma, one of the world's poorest countries and under US and European economic sanctions over human rights abuses and suppression of democracy, is increasingly reliant on revenue from its oil and gas deposits.

Despite international condemnation and growing frustration at Burma's military regime, its neighbors have been jostling to take advantage of the country's abundant natural resources.

Since Burma began allowing foreign investment in 1988, it has signed exploration contracts with France's Total SA, Unocal Corp. of the United States, Malaysia's Petronas, Thailand's PTT Exploration & Production PCL, India's ONGC, GAIL and Daewoo of South Korea. It also has deals with companies from Australia, Canada and Indonesia.//



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