



The

Shwe Gas

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SPDC Proffers Entire Arakan Gas Reserve to China: Dual Oil, Gas Pipeline Plans Threaten Rights abuses in Burma

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Editorial

End China Exchanges Its Support for Burma Gas

The Arakan oil and gas projects, operated by Daewoo International, will not only affect people living in Arakan state, but will also negatively impact the entire country.

According to the agreement between the Burmese military regime and a Chinese company, China will convey the entire gas from Arakan's A-1 and A-3 blocks to Kunming through an inland pipeline that will run through the center of Burma. If the Arakan-Kunming pipeline is built, it will be another nightmare for the oppressed people of the whole of Burma under the Burmese regime, one of the world's worst abusers of human rights.

During the construction of the Yadana Gas pipeline between Burma and Thailand, many human rights abuses occurred as the Burmese militarized the surrounding area to protect the pipeline.

China's influence will also grow in the central part of the country as result of the gas pipeline project and the sponsorship of a new economic development zone in Arakan state.

The Burmese military regime will also reap billions of dollars from the sale of Arakan gas. However, the regime does not reinvest the income from natural resources for the country's infrastructure or social development. Instead, it squanders the money on military supplies and building new capital.

Moreover, the regime has been earning billions of dollars from the country's oil and gas sale to neighboring countries and particularly from foreign investment in the energy sector.

While the regime has been selling the country's oil and gas to its neighboring countries, most of the areas in Burma remain in darkness.

The recent deal with China for Arakan's gas will not only provide foreign currency to the regime but will also provide a lot of political protection to Burma, mainly from China and other energy hungry neighbors.

At the moment, the Burmese regime is under pressure at regional and international levels. However, in exchange for getting much-needed gas from Burma through the Arakan-Kunming inland route and thus spurring economic development, China will provide whatever the brutal regime asks.

China's support of the regime and of its militarization could in fact neutralize international and regional pressure on the junta.

Therefore, all Burmese democratic and ethnic organizations must break down China's politically support and the regime's major source of income, which is the sale of oil and gas and together with foreign investment in the oil and gas sector.//

China signs new hydropower deal with Burma

04-07-2007

Military-run Myanmar and China have signed a deal to build a hydropower dam on the Salween River, as yet the longest undammed waterway in southeast Asia, official media said Saturday.

The deal is the fourth hydropower agreement signed with China this year, and came just days after Thailand began work on a six-billion-dollar dam on the Salween to generate electricity that will be carried back to the kingdom.

Activists warn the dams could prove disastrous to the Salween's delicate ecosystem and accuse Myanmar's military junta of using the dams as an excuse to evict thousands of ethnic minority villagers from their land.

Myanmar's Hydropower Implementation Department signed the deal Thursday with the Chinese firms Farsighted Investment Group and Gold Water Resources, the official New Light of Myanmar said.

The dam, which is the fifth planned for the 2,800-kilometre (1,750-mile) river, will have a capacity of 2,400 megawatts, the government mouthpiece said.

The paper gave no other details of the deal, but said the dam would be on the Upper Salween in Myanmar's northern Shan State.

China and Thailand have signed a raft of deals over the last year to tap impoverished Myanmar's energy resources, particularly in natural gas and hydropower.

The United States and Europe have economic sanctions against military-run Myanmar to punish them for the ongoing detention of democracy leader Aung San Suu Kyi and other human rights abuses.

But the effect of the sanctions has been largely eroded by rapidly increasing trade with energy-hungry neighbours like China, Thailand and India.//

AFP

Covered story

SPDC Proffers Entire Arakan Gas----

April 17, 2007 (SGB)

The Burmese military regime has recently signed an MOU with PetroChina Company Limited (PCCL) for selling the entire natural gas reserves from the A-1 and A-3 blocks in the Arakan offshore area, according to several Indian media reports.

The MOU, signed on March 14, says that the gas will be transferred to China's Kunming, the capital of Yunnan province, by a 2,380 km inland pipeline worth \$1.04 billion. The pipeline would travel from Arakan's Kyauk Phyu through central Burma. In return, China will provide the Burmese regime an annual transit fee of \$150 million for 30 years for the pipeline's 990-km stretch in Burma.

PCCL has been secured for completion of construction work on the pipeline within 20 months of signing the contract, according to Indian petro reports. Recently, Than Shwe directed the energy minister, Lun Thi, to award the contract for constructing and laying a dual pipeline to transport oil and gas from Arakan State to China. In March, Korea's Chosun Ilbo paper quoted an official from Seoul's energy ministry as saying that Burma had committed its gas to China, as Beijing had agreed to build pipelines for free.

Last year, China completed the survey for the 2,380 km oil and gas pipelines from Kyauk Phyu to Kunming across central Burma. An estimated 25 percent of the country's 50 million population resides along the Arakan-Kunming pipeline route.

International human rights activists urge that the pipeline will enhance the level of human rights abuses along the pipeline route, just as the Yadana pipeline construction resulted in unprecedented amounts of forced labor, forced relocation, execution, and rape.

An Arakan-Kunming oil pipeline would provide an alternative route to China's crude imports from the Middle East and Africa, that would save over 1,800 nautical miles of sailing from the current routing via the pirate-infested



Strait of Malacca. Currently, some 80% of China's crude oil imports are transported via the straits. The pipeline will transport 170 billion cubic meters of natural gas from the Middle East to southwest China in the next 30 years. Vice mayor of southwest China's Chongqing municipality, Huang Qifan, said the China National Petroleum Corp (CNPC) had chosen Chongqing as the destination for the pipeline, noting that the city would build a 10-million-tonne capacity

refinery to process imported crude. The facility is due to come on stream in three years.

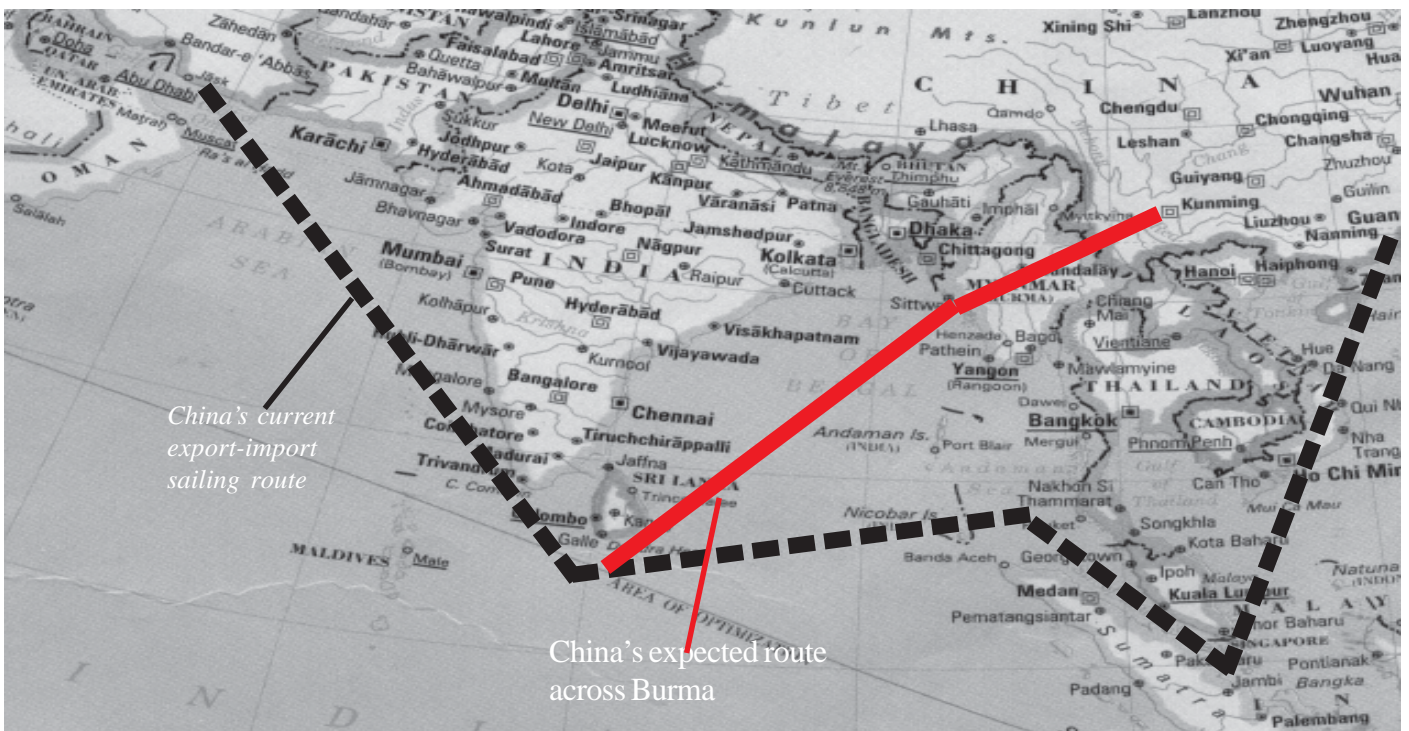
Analysts observe that the Burmese regime offered its gas to China for support in the United Nations Security Council, where the United States has often been critical of Myanmar's human rights track record. Observers also note that the stake holders of the two natural gas blocks, India and Korea, are keen to transport the gas to their own countries by pipeline or LNG form.

China National Petroleum Corp, the parent company of PetroChina, recently secured exploration rights for offshore blocks AD-1, AD-6 and AD-8, taking the Chinese tally to six

offshore and five onshore blocks in Arakan State. CNPC, says the report, may also bag offshore block AD-2. The current stakeholders of the A-1 and A-3 blocks are Daewoo International (60%), the state-owned Korean Gas Coporation (10%), and India's ONGC (20%) and GAIL (10%). The consortium has discovered up to 10 trillion cubic feet of natural gas in the A-1 block, while in the block A-3 the reserves would be established after the current appraisal drilling is completed in May this year.//



China Seeks route around the ‘Malacca Dilemma’



The Arakan-Kunming pipeline will be crucial for the next phase of China’s economic development.

By Graham Lees (February 20, *World Politics Watch*)

China’s warming relationship with the Southeast Asian military regime the West loves to hate is emerging as a vital element in solving one of Beijing’s biggest problems — energy security. The jungles of Burmanow seem certain to provide a shortcut for oil from the Middle East and Africa to the Chinese border.

With China scouring the world for oil and gas supplies to replace its own rapidly decreasing reserves, strategists have pondered the potential security problem posed for Beijing by the Malacca Strait, wedged between Indonesia and Malaysia and through which between 70 and 80 percent of China’s oil imports must pass.

Not only is the strait congested and prone to accidents and pirates, it could also easily be blocked in an international conflict. Beijing believes this is what the United States would do if the two countries confronted militarily over Taiwan.

According to U.N. statistics, more than 60,000 vessels pass through the strait annually, carrying 25 percent of the world’s trade. China’s President Hu Jintao has referred to it as Beijing’s “Malacca Dilemma.”

“The Bay of Bengal and the adjoining Andaman Sea impinge far less on the geopolitical consciousness of

Southeast Asia and its policymakers than the South China Sea and the adjacent Gulf of Thailand,” said Michael Richardson, a visiting senior research fellow at the Institute of Southeast Asian Studies in Singapore, in a recent paper.

“Yet both maritime zones are integral parts of the same vast conveyor belt of seaborne trade that runs between the Indian and Pacific oceans and carries huge quantities of oil to Asia from the Middle East and Africa.

The route is a critical lifeline for the export-oriented economies of East Asia, among them China, Japan and South Korea.”

A pipeline — perhaps eventually more than one — from a Burmese port up to China’s southwestern province of Yunnan, which Beijing is keen to develop, would not only bypass this potential obstacle, it would lop over 1,800 sea miles off the present journey to Chinese South China Sea ports from the country’s main oil sources.

Oil tankers bound for China from the Mideast and in particular new sources in Africa, where Beijing is also engaged in a charm offensive, are likely to be carrying more than half of total Chinese energy needs by 2015, the

independent U.S. Institute for the Analysis of Global Security has projected.

Last year, the Chinese imported 145 million tons of crude, an increase of more than 14 percent on 2005, and costing \$15 billion according to the General Administration of China Customs.

The Chinese did consider a deal with Thailand to build a pipeline across that country's narrow 60-mile Kra isthmus, connecting the Indian Ocean with the Gulf of Thailand and the South China Sea. However, Thai government sources say this idea has been dropped by Beijing's planning body, the National Development and Reform Commission, as too fraught with problems — not least the risk of becoming a target by disaffected Muslim separatists operating in southern Thailand, who are becoming increasingly violent.

Burma under a tough military regime offers Beijing more reliable security for a pipeline that would be about 900 miles long.

The state China National Petroleum Corporation has ended speculation about Beijing using Burma as an oil conduit by announcing it is conducting a detailed assessment with the state Myanmar Oil and Gas Enterprise (MOGE) for a crude oil terminal on the Burmese island of Ramree, off Myanmar's Arakan coast, fringing the Bay of Bengal.

A pipeline would course more than 500 miles from the coast-hugging island through rugged terrain to the Chinese border, and then another 400 miles or so through Yunnan to the provincial capital of Kunming, where a refinery is also planned.

Analysts suggest one oil pipeline across Burma might cost between \$2 billion and \$3 billion and might eventually handle up to 40 million tons per year. A sum of \$3 billion is a trifling for China when you consider that the country's biggest coal-producing province, Shanxi, last year achieved a turnover in domestic coal sales of \$24 billion, and paid taxes of more than \$2 billion.

There has been speculation that the Chinese would use the existing Burmese port of Sittwe, closer to Bangladesh and founded by the British in the 19th Century. But there are two reasons why the Chinese prefer the tiny port town of Kyauk Phyu on Ramree, about 70 miles farther south: security and isolation. The island is remote with virtually no transport infrastructure linked to it. The only way to get there is by ship or by plane using a small airstrip.

Sittwe is set to become the center of Burma's Bay of Bengal gas processing industry, but this is where India has already staked a claim to a gateway to the sea for its landlocked and isolated northeastern states, which have a combined population of 36 million, fractious and clamoring for development.

As part of its much-touted, but neglected, Look East economic policy, New Delhi has undertaken to spend over \$100 million redeveloping Sittwe — whether or not it eventually becomes the major buyer of the trillions of cubic feet of gas discovered less than 50 miles offshore.

China also has its eye on that gas, and both countries have said they would be interested in building gas pipelines to their respective countries from Sittwe, if the purchasing terms were right.

The Burmese regime recently listed Kyauk Phyu among several new economic zones for tax-free investment by foreigners, a move that now seems to have been aimed at pleasing the Chinese.

"An oil pipeline, or maybe several, makes a lot of sense to the Chinese when you consider the volumes they are going to be importing," said Bangkok energy commodities analyst Rex Garrett. "If they pull off a deal with the Burmese on the gas as well they could run a feeder pipe down from Sittwe and run oil and gas pipelines together.

"Of course, none of this is quite what ASEAN [the Association of Southeast Nations, of which Burma is a member] had in mind when it recently discussed energy security with China."

ASEAN agreed at its annual summit in January to press ahead with its own transnational gas pipelines and power grid development among the ten member countries, and to discuss joint energy projects with China.

What seems to be happening is that China is using ASEAN countries as a conduit for its own energy security and also seeking to buy up as much gas and oil from Southeast Asia as it can. Beijing recently secured a 25-year supply deal for liquid natural gas from Malaysia.

China's cozying up to Burma, which includes vetoing U.N. Security Council attempts to discuss human rights and other Burmese issues that vex Western countries, and supplying armaments, might be more farsighted than simply trying to solve the Malacca Dilemma.

The floor beneath the waters of the Bay of Bengal has barely been explored, and so far large quantities of gas have been discovered, prompting some energy commentators to speculate it could be Asia's North Sea, which yielded huge quantities of hydrocarbons for Britain and northwest Europe. However, territorial waters claims over large areas, including a dispute between Burma and Bangladesh, remain in a tangle. And Beijing could yet replace its Malacca Dilemma with another equally troublesome one — the unpredictability of the generals who have been running Burma for decades.//

Graham Lees is a Bangkok-based British journalist who has worked in several countries in East Asia over the last ten years covering regional business and political affairs.

Burma Cashes up on Energy, But Locals in the Dark

Posted: 15-Apr-2007 12:11 hrs

A view of new residential blocks in Burma's new administrative capital Naypyidaw, February 2007. The sprawling capital, once a mountainous backwater and home to government and military offices since last year, boasts 24-hour electricity, amply lit streets with few cars and fairy lights that twinkle around ministry buildings.

Military-ruled Burma has recently signed off on a raft of energy deals with its power-hungry neighbours, winning the junta a desperately needed income stream.

But Chinese and Thai dams to be built on Burma's rivers to power their own economies and Asian companies drilling for natural gas off the coast to boost fuel exports are cold comfort for impoverished locals.

Most have been left in the dark as blackouts stretch through most of the day, even as reclusive officials in the new administrative capital Naypyidaw in central Burma enjoy an abundance of energy.

The sprawling capital, once a mountainous backwater and home to government and military offices since last year, boasts 24-hour electricity, amply lit streets with few cars and fairy lights that twinkle around ministry buildings.

That contrasts starkly with Yangon, Burma's biggest city, where people and businesses do without electricity for most of the day, and they are hurting.

"Now we average about four hours per day with power in our industrial zone, about a 50 percent decline from eight hours per day in March," a businessman, who spoke on condition of anonymity, told AFP.

"Many factory owners have to rely on generators mostly. The price of diesel is also going up now. But we have no choice," he added.

"We were informed that the electricity distribution department has some technical problems. But we don't know when it will be in a normal condition."

As of September last year, Burma had an installed capacity of 1,775 megawatts. Just one of the dams Thailand



More than half of entire population in Burma live with two-hour electricity even though the country earns billions of dollars from oil and gas projects.

is building on the Salween River has a capacity to produce three times that amount.

"We had good sales in previous months... but they have declined over the last three weeks because of the daily blackouts," said one electronics shop owner.

Burma's official energy statistics provide some insight though many questions are left unanswered by bureaucrats responsible for administering one of the world's most isolated states.

According to the Myanmar(Burma) Electric Power Enterprise, 40 percent of the electricity generated in 2005 was never sold to consumers or businesses.

While some electricity is normally lost during transmission and distribution, the enormous shortfall has

never been explained and electricity officials could not be reached for comment.

In Yangon, the nation's former capital and commercial hub, the power shortage is hammering a moribund economy and for many, the lack of power also means a lack of water as most pumps are electric.

“We normally get about six hours per day, but we can't do anything since it usually comes on at night,” said Htwe Htwe, a 50-year-old Yangon housewife, who complained that the outages prevent her from cooking or cleaning.

“My family has to eat the leftover rice and curry. Our priority is to get water first whenever the power comes back,” she said.

“For the last two weeks, we only get three hours a day.”

The Southeast Asian nation is under a series of US and European economic sanctions imposed over the junta's rights abuses and the house arrest of 61-year-old democracy icon and Nobel peace laureate Aung San Suu Kyi.

But the impact of the sanctions has been weakened as Burma's neighbours such as China, India and Thailand are spending billions of dollars for a share of its vast energy resources.

According to 2006 official figures, 13 foreign oil companies are working on 33 energy projects in Burma but none of the benefits appear to have filtered through to the general population.



A view of new residential blocks in Burma's new administrative capital Naypyidaw, February 2007. The sprawling capital, once a mountainous backwater and home to government and military offices since last year, boasts 24-hour electricity, amply lit streets with few cars and fairy lights that twinkle around ministry buildings. AFP

Residents are especially chafed over the outages because the government hiked electricity charges 10-fold last year, earning authorities an extra eight million dollars in the first half of the 2006 fiscal year.

For those who can afford it, generators have become a necessity. But soaring demand for fuel has sent prices surging and created further shortages in an already unstable market, petrol dealers said.

This has forced frustrated consumers onto the black market where prices are up about seven percent for petrol and diesel — when it is available at all. Otherwise, people go without.

“Many residents come to buy for their generators. But sometimes we have no petrol to sell,” one black market dealer said. — AFP

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The Shwe Gas Movement (SGM)

SGM includes regional and international NGOs. The 5 core members are SGM Bangladesh, SGM India, the All Arakan Student and Youth 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.

Daewoo Consider Legal Action Against Burma: Gas To Go To China

April 19, (SGB)

Daewoo International is contemplating the initiation of legal proceedings against the Burma military regime following the regime's alleged decision to sell natural gas from the A-1 and A-3 blocks in the Arakan offshore area to China, according to a report by Indian Petro.

It is unclear what type of legal action is being considered, and in what jurisdiction it would take place.

South Korean and Indian firms, including Daewoo International, face heavy losses if natural gas from blocks A-1 and A-3 is sold to China. The proposed sale will be at a rate marginally over the \$4 per million British thermal units (mBtu), agreed in a MoU signed between Burma and China on March 14, 2007. The gas should fetch at least \$4.41 per mBtu, says Amitav Ranjan of the Indian Express newspaper.

Daewoo's stock dropped more than 3 percent after news emerged that China was picked for the gas.

Daewoo wants the consortium to be engaged with downstream projects of A-1 and A-3 blocks, including

payment of a tariff from the proposed Chinese pipeline, the report says.

The report claims Daewoo also has plans to offer an economic package to counter the latest Chinese offer of buying gas from these blocks.

This is Daewoo's biggest energy project, and development costs of the gas fields are estimated between US\$2 -3 billion.

Burma's A-1 and A-3 blocks contain up to 10 trillion cubic feet of gas, which are planned to start production in 2009, despite that potential end users and modes of transport are officially undecided, to date.

South Korea and Japan hoped to lift 2.7 million tones of liquefied gas a year from these wells to reduce reliance on Middle East energy, while parties from India and Thailand have been wooing Burma to pipe the gas to them.

Analysts observed that the Burmese regime offered its gas to China due to its permanent position and veto power on the United Nations Security Council, where the United States has often been critical of



Activists in S. Korea protested against Daewoo International's Shwe gas project in Burma on March 26 concerning human rights abuses and environmental degradation from the Shwe gas project pipeline.

Burma's human rights track record, while China has effectively defended the regime.

Daewoo is the operator of the A-1 and A-3 blocks located offshore of Arakan state, 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 the Gas Authority of India (GAIL), which has a 10 percent stake.//

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