



MOGE

FANNING THE FLAMES

*Expansion of foreign oil and gas
investments despite Burma's military coup*

November 2021

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Burma's Military Coup

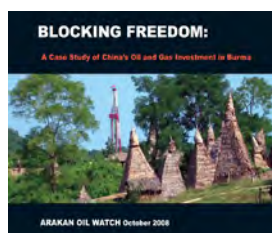
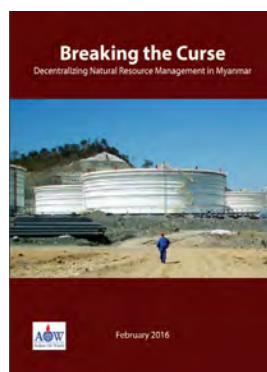
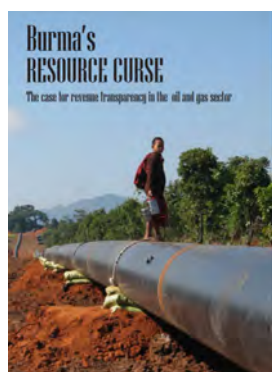
November 2021



Since its formation in 2006, Arakan Oil Watch has monitored investment projects in Arakan State, with a focus on the oil and gas industry, and has developed proposals for a future natural resource management system in order to promote sustainable peace and justice in Arakan and Burma. AOW is an active member of the Burma Environment Working Group (BEWG) and Oil Watch South East Asia (OilWatch SEA). Previous reports can be found at www.oilwatcharakan.org

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CONTENTS

Executive Summary	1
Status of Offshore Blocks 2021	3
Oil and Gas Projects fuel the military regime	4
Update of Burma's offshore gas fields since the military coup	6
(A) Current Producing Fields	7
(B) Gas discoveries, production planning and exploration	9
The regime's largest money-maker: MOGE	11
Responses from the people of Burma	12
Responses from the international community	16
Responses from international oil and gas companies	18
Would sanctions against MOGE hurt Thailand and China?	20
Conclusion and Recommendations	22
Appendix: A breakdown of shareholders in Burma's four producing offshore natural gas fields	23

Executive summary

Since the Burma Army attempted its military coup on February 1, the Burma government systems have virtually imploded and civil war is raging at unprecedented levels throughout the country.

Violent crackdowns on peaceful demonstrators have so far led to the killing of over 1,250 people and over 7,200 currently in prison for demanding their basic rights. The banking system has been crippled by paranoid military supervision, internet cuts and communication monitoring, all aimed at rooting out opposition. The Burma kyat has plummeted to an all-time low, and there is rampant inflation and shortage of goods.

Meanwhile, the regime earns over US\$ 1 billion annually from export of Burma's natural gas resources from four offshore projects to China and Thailand, which are the single largest source of export revenues keeping the military in power. It also receives approximately US\$ 500 million worth of domestic gas annually, which means the regime earns an estimated US\$ 1.5 billion per year from these projects.

Demonstrators, civil society and the opposition National Unity Government (NUG) have therefore called on governments to impose economic sanctions on the state-owned and military controlled Myanmar Oil and Gas Enterprise (MOGE). The NUG has also urged companies to deposit all payments into a third-party escrow account, until an elected federal government is in place.

In May, the French company Total, the operator of the Yadana offshore fields, responded by withholding the dividend to MOGE from its Moattama Gas Transportation Company (MGTC), transporting gas from these fields. However, the dividend constitutes only 10% of the Yadana revenues paid to the regime, and only approximately 4% of Burma's total gas export revenues.

Meanwhile, Total and other companies currently exporting from offshore fields, including US Chevron, Thai PTTEP and Korean POSCO, are not only continuing to provide funds and legitimacy to the regime, but also expanding their projects. Planning is also underway to exploit recent discoveries of gas in three new areas off the Arakan Coast and south of Yangon which would further entrench the regime. 16 oil and gas companies from 13 countries currently have major shares in Burma's oil and gas industry, and more are profiting through sub-contracts, such as Swiss-based Transocean and US McDermott International. Only one company, Japan's Mitsui Oil Exploration Company (MOECO), has divested from Burma's offshore fields since the

coup, withdrawing its investments from a planned new project in late October.

By not heeding demands from the people of Burma, international oil and gas companies are increasingly becoming branded as military collaborators and placing their staff and operations at risk. A growing number of People's Defence Forces are targeting the regime's infrastructure and revenue-generating projects, particularly in the communications, electricity and energy sectors, including attacks on several gas pipeline projects. NUG has reported that PDFs conducted 950 attacks, including targeted explosions, between September 7 and October 6, of which 213 were against economic projects of the regime.

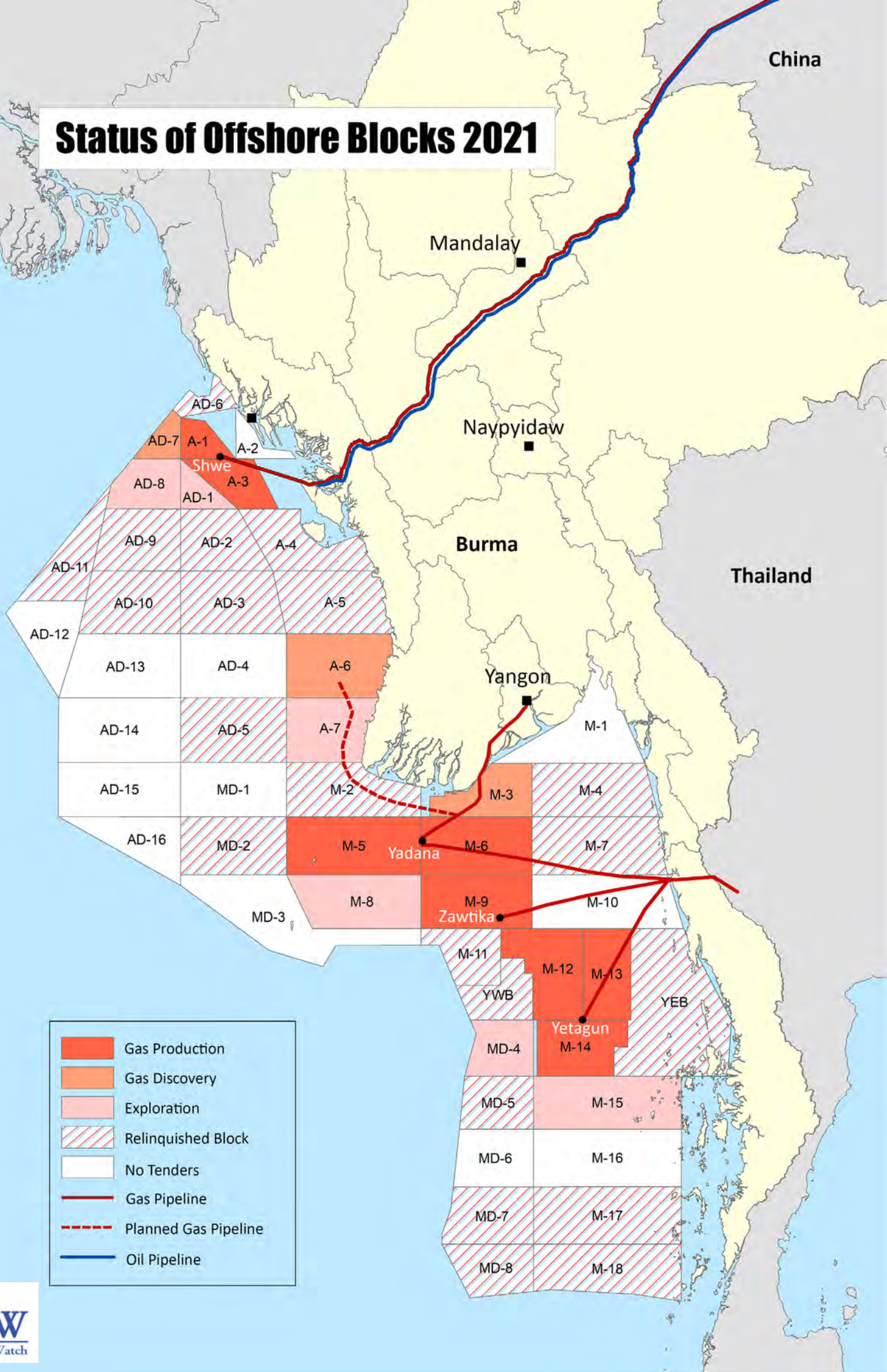
One option for international oil and gas companies is to unilaterally suspend projects by declaring Force Majeure, for a period of up to two years, citing "insurrection", "active hostilities or imminent threat of hostilities" or other reasons stated in their standard Production Sharing Contracts with the Burma government.

International governments, particularly those which claim to promote democracy and human rights must place comprehensive economic sanctions on MOGE – consistent with sanctions already placed on other state-owned enterprises such as the Myanmar Timber Enterprise and Myanmar Gems Enterprise -- and ensure that no revenues or taxes are paid by their oil and gas companies to the regime.

Oil and gas companies should immediately suspend all revenue and tax payments to the regime and put these into a third-party escrow account. Failing that, they must suspend or cancel their projects. All companies must also stop exploration and development activities aimed at exploiting additional or new gas discoveries.

This report provides an update of Burma's offshore natural gas industry, its impacts on the people of Burma and recommendations for the international community.

Status of Offshore Blocks 2021



Oil and Gas Projects fuel the military regime

Straight after the coup, while Burma was being plunged into a state of unprecedented violence, war and economic collapse, the regime received Russian radar equipment worth US\$ 14.7 million and made agreements for Russian surface-to-air missiles and surveillance drones.¹ In July, the regime imported Remote Controlled Weapons Systems from India.²

Pro-democracy demonstrators throughout the country have been targeting Burma's oil and gas industry as a key sector financing the military regime. Natural gas has for decades been Burma's largest source of Foreign Direct Investment and export revenues. In 2020, the export of gas was valued at US\$ 3.3 billion, or 20% of official total exports and Burma's single largest export product, with the Burma government earning over US\$ 1 billion.³

The current oil and gas revenues derive from four offshore blocks: Yadana, Yetagun, Zawtika and Shwe, ultimately paid by the buyers Thailand and China. While total export figures are readily available, many oil and gas companies are secretive regarding specific tax and revenue payments to the Burma government. Therefore the most recent credible and comprehensive information dates back to the 2017-18 fiscal year, as compiled by the Myanmar Extractive Industries Transparency Initiative (MEITI).

During the fiscal year 2017-18, the Burma government received approximately US\$ 1 billion in revenues and taxes from export out of the four producing fields.⁴ Additionally, it received its contractual share of natural gas for domestic use worth an estimated US\$ 485 million, thus earning profits of nearly US\$ 1.5 billion during the fiscal year.⁵ The domestic gas is either sold for domestic consumption or subsidises government energy costs, facilitated by the Myanmar Oil and Gas Enterprise (MOGE). 89% of the US\$ 1.5 billion profit came through MOGE and the remaining 11% through the Internal Revenue Department (IRD) of the Ministry of Planning and Finance.

Burma government revenues from the four offshore producing fields 2017-18⁶

	By Burma govt. entity		By type of disbursement		Total USD
	IRD	MOGE	Cash	Sales value	
Shwe payments	\$383,270	\$225,902,226	\$226,285,496		\$399,709,485
Value of additional Shwe domestic gas		\$173,423,989		\$173,423,989	
Yadana payments	\$109,483,022	\$295,285,062	\$404,768,083		\$590,528,223
Value of additional Yadana domestic gas		\$185,760,140		\$185,760,140	
Yetagun payments	\$43,206,171	\$242,827,863	\$286,034,034		\$286,034,034
Zawtika payments	\$12,474,111	\$74,569,297	\$87,043,408		\$212,419,251
Value of additional Zawtika domestic gas		\$125,375,843		\$125,375,843	
Total	\$165,546,574	\$1,323,144,419	\$1,004,131,022	\$484,559,972	\$1,488,690,993

During the audited 2017-18 period, the Shwe project still had a contractual tax break, which has now ended and would today add an estimated US\$ 100 million in tax for the Internal Revenue Department (IRD).

The price of Burma's natural gas exports is contractually pegged against international energy prices, through formulas detailed in Export Gas Sales Agreements. The rapid increase of oil and gas prices globally will therefore further increase the regime's profits.













Transocean's Deeptwater Nautilus (Energy Voice)

Update of Burma's offshore gas fields since the military coup

Burma's offshore oil and natural gas industry consists of 51 offshore blocks. These are tendered to oil and gas companies for initial exploration agreements, which can be expanded into production agreements. The latest tender for exploration was organized in 2014 when 20 blocks were sold, adding to the 18 blocks that at the time were under exploration or production contracts.⁷

Out of these 38 tendered offshore blocks, eight blocks are currently being used for extraction and sale of natural gas. Three blocks include a significant discovery of gas and are being prepared for production,

Companies and countries that have current Production Sharing Contracts with the Myanmar Oil and Gas Enterprise (MOGE)

Country	Company	Production	Gas discovery	Exploration
 France	Total	Yadana (M5,M6),MGTC	A6	
 USA	Chevron/Unocal	Yadana (M5,M6),MGTC		
 Thailand	PTTEP	Yadana (M5,M6),MGTC Zawtika (M9),APC Yetagun (M12-14) ,TPC	M3	
 Malaysia	Petronas PC ^{HK}	Yetagun (M12-14),TPC		
 Japan	Nippon Oil	Yetagun (M12-14) ,TPC		
 South Korea	POSCO	Shwe (A1,A3),SEAGP	AD7	
	KOGAS			
 India	ONGC Videsh	Shwe (A1,A3) ,SEAGP		
	GAIL			
 Australia	Woodside ^S		A6, AD7	AD1, AD8, A7 M15
	TRG			
 Italy	Eni			MD4
 Canada	CFG Energy ^S			M15
 China	CNPC	SEAGP		AD1, AD8
 UK/Netherlands	Royal Dutch Shell ^S			A7
 Netherlands	Berlanga ^S			M8
 Burma	MPRL		A6	
	MPEP (MPRL)			A7
	Century Bright Gold (KMA Mining)			M15

^S/ Singapore registered companies; ^{HK}/ Hong Kong registered companies but wholly owned by their mother companies

while six are still officially under exploration contracts. The remaining 21 blocks have, been relinquished by the companies back to the government after exploration drilling and surveys.

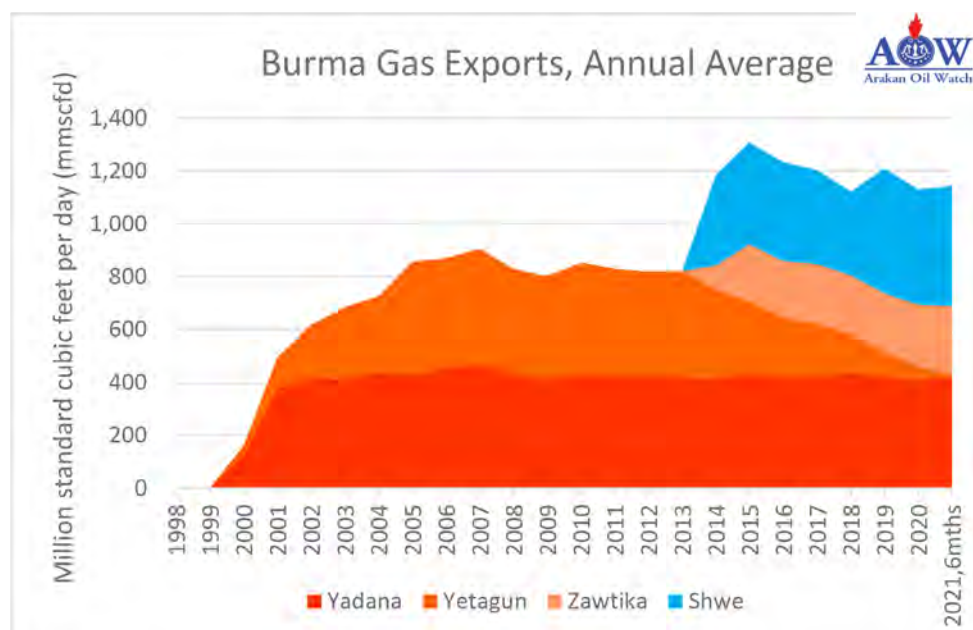
16 international oil and gas companies from 13 countries currently have Production Sharing Contracts (PSC) with MOGE (see appendix 1 for details) while additional companies are operating in these blocks as subcontractors, providing technical support or equipment such as drilling rigs and survey ships. Apart from MOGE, three Burmese companies — MPRL and MPEP, owned by U Michael Moe Myint, and Century Bright Gold, owned by U Khin Maung Aye — have shares in active offshore PSCs jointly with foreign companies.

A. Current producing fields

The Shwe fields

The Shwe fields have since 2019 been Burma's single largest exporter of natural gas. In a move to further consolidate this, POSCO has since the coup begun implementing a third expansion phase investing US\$ 315 million. Hyundai Heavy Industries has been contracted to build the 27,000 ton gas compression platform, which would increase its capacity and is set for completion in 2024.⁸

Phase two, worth an estimated US\$ 473 million, which began in 2018 and included the drilling of additional production wells, has continued despite the coup and is planned for completion in 2022. It is implemented by US companies McDermott International and Baker Hughes, a General Electric company.⁹



AOW graph: Burma natural gas exports 2000-2021, annual average¹⁰

Since the coup, other international subcontracting companies have also been hired to operate in the Shwe fields, including Swiss-headquartered Transocean for the use of its drilling rig Deepwater Nautilus for the period April to November, 2021, at fees of US\$ 135,000 per day. Appearing to try to cover its tracks, Transocean's regular public updates of the location of its rigs unusually withheld the country location of the rig.¹¹ POSCO also, via Norwegian Electromagnetic Geoservices, hired the services of the Norwegian North Sea Shipping's Atlantic Guardian ship between June and August, 2021.¹² The drill rig Ocean Monarch, owned by the US company Diamond Offshore, is contracted by POSCO until March 2022.

The Yadana fields

The Yadana fields were for two decades the regime's largest cash cow but are now nearly depleted of natural gas. The Total CEO recently stated that the fields would be discontinued in around 2025.¹³

While the French operator Total pledged in early April to suspend operations in response to the coup, drilling to expand and prolong the life of the Yadana field has continued. Total's Yadana consortium partner, PTT Exploration and Production (PTTEP), completed drilling of two production wells in May and a third well in August, 2021.¹⁴ As the Yadana operator, Total approved and contributed towards these drilling costs, and stands to gain from the increased production.

In May, Total and the second largest shareholder Chevron/Unocal¹⁵ announced they had stopped paying dividends to the state-owned MOGE from the transport company Moattama Gas Transport Company (MTGC). Extrapolating data from the latest EITI report, this would amount to approximately US\$ 40 million in a year, or only about 10% of the Yadana revenues paid to the Burma regime and about 4% of the US\$ 1 billion cash payments for the four producing fields (see table on page 5).¹⁶

The Yetagun fields

The Yetagun fields, which have extracted gas since 2000, are nearly depleted and even before the military coup the companies had started reducing the number of staff. Therefore, it came as no surprise when the Malaysian operator Petronas on April 2 declared a Force Majeure,ⁱ stating that it "has temporarily ceased production...until

ⁱ *Force Majeure* is a legal clause that suspends contractual obligations during a specific period and can be declared by any of the two parties when authorities or companies are unable to fulfill their obligations for reasons beyond their own control, such as political instability or natural disasters. Force Majeure is included in standard Production Sharing Contracts, which provide a long list of reasons for declaring force majeure, including "strikes", "insurrection" and "active hostilities or imminent threat of hostilities".

further notice” due to “drastic decline in production level”.¹⁷

Extraction was resumed again at extremely low output in July and August but was shut down again in September, due to Covid-19 infections, and the field only contributed 1% of the gas exports to Thailand in 2021.¹⁸

The Zawtika fields

Zawtika is Thailand’s only confirmed long-term source of natural gas, since Yadana and Yetagun are on their last legs. The Thai operator PTTEP has in 2021 increased output from Zawtika to make up for the reduced gas from Yetagun but claims that the “recent turbulence... has caused some delays in certain activities”.²⁰

B. Gas discoveries, production planning and exploration

Moattama M3 fields

The Thai company PTTEP owns all shares in these fields, following a complete withdrawal from the project as of October 31, 2021, by Japanese Mitsui Oil Exploration (MOECO), which until then held a 20% share.²¹ Rather than exporting gas from the block to Thailand, PTTEP plans to build a 600MW combined cycle power plant in Kyaiklat in Irrawaddy Region from where power lines would be built to the Hlaing Thar Yar industrial estate in Yangon. The M3 block would be the principal source of gas as well as gas from a spur line of the existing Zawtika project, profiting from Burma’s contractual domestic share of gas. PTTEP plans to invest US\$ 2 billion in return for a 20-year BOT (Build-Operate-Transfer) project.²²

While the previous NLD government in December 2020 approved a “notice to proceed” for the M3 block and the power plant project, the military regime in April signed a Field Development Plan only for the M3 block, delaying approval of the power project.²³

Arakan shallow water fields

The Australian company Woodside has spearheaded exploration and pre-development planning of the A6 and A7 blocks, involving also Total and Shell as shareholders respectively.

The A6 block is planned to become Burma’s next cash cow. Woodside originally planned for the drilling of up to ten wells and pipelines to transport an estimated 2.2 trillion cubic feet of gas to the existing Yadana pipeline systems, from where the gas would be sold to Thailand and Yangon. The earliest the gas could come on tap would be

2024-25, when the Yadana gas levels will have dropped substantially, or even ceased, targeting to replace the Yadana gas. Woodside is preparing for a Front End Engineering Design (FEED) and once this stage has been reached, Total would take on the role as formal operator of the project, once again placing itself in a prime partnership with MOGE and the Burma regime. At that stage, MOGE would have a contractual right to become a shareholder in the project of up to 20%.

In late February, Woodside, and later Total, stated that they had suspended the development work in the A6 block citing human rights concerns and in August Woodside stated that their “business decisions in Myanmar are under review”.

Exploration activities in the adjacent A7 block took place in January 2021, but found no commercially viable gas. It is unclear whether or not Woodside and/or Shell would continue to drill additional exploration wells in the future.

Arakan deep water fields

Australian Woodside is also the main operator of these fields, collaborating with South Korean POSCO and Chinese CNPC in the AD7 and AD1/AD8 blocks respectively.

An unspecified size gas discovery was made in the AD7 block a few years back and in January-February 2021 Woodside conducted exploration drilling in the adjacent AD1 and AD8 blocks. In August, Woodside stated that none of the newly surveyed wells were commercially viable, but Woodside and CNPC have not officially abandoned future drilling.²⁴ Should POSCO and Woodside still move ahead with development of the northern Arakan fields, it is likely that this would connect with the nearby Shwe fields and the gas would be exported to China.

Additional exploration

International oil and gas companies with major shares in additional exploration contracts, such as Italian Eni, Dutch Berlanga and Canadian CFG have made no public statements regarding their activities or plans since the coup. These companies have only conducted low-level seismic surveys since 2015. The Dutch, Singapore-registered, Berlanga Myanmar Pte Ltd was in February 2021 liquidated following claims from several companies that were owed in total over US\$ 6 million,²⁵ but neither the regime nor Berlanga have since then made any official statement related to the status of the gas block in Burma.

The regime's largest money-maker: MOGE

The 100% state-owned Myanmar Oil and Gas Enterprise (MOGE) is the only company authorized to sign contracts and partner with foreign companies for oil and gas exploration and production. Since the military take-over, General Min Aung Hlaing has had complete control over Burma's oil and gas revenues, via MOGE and the Ministry of Planning and Finance. In February, he appointed Aung Than Oo as the new Minister of Electricity and Energy and Win Shein as the Minister of Planning and Finance.

MOGE has a long and murky history shrouded in corruption and secretive accounting of billions of dollars since the early 2000s, when the oil and gas revenues became the main source of funds for the Burma Army.

After the 2010 election, the international community began pressuring the military-backed government to open some books, through the process of the Extractive Industries Transparency Initiative (EITI) which began in 2013. Between 2013 and 2018, EITI audits compiled and compared data provided by most, but not all, oil and gas companies as well as the Myanmar government entities, finding considerable gaps in the MOGE reporting and accountability. 45% of MOGE's profit is transferred to the Internal Revenue Department and the Treasury Department of the Ministry of Planning and Finance in income tax and state contribution respectively, while more than 50% of the remaining profits are placed in opaque "other accounts" without oversight of expenditures by the elected government. According to the 2017-18 EITI report, MOGE transferred US\$ 504 million to the other accounts and by the end of the 2018 fiscal year, the MOGE had accumulated a massive USD 4.6 billion in these accounts.²⁶

International oil and gas corporations make their payments to MOGE accounts held by the Myanma Foreign Trade Bank (MFTB) in Singapore and other countries, with POSCO stating that their payments for the Shwe gas are made to an MFTB account held at the Singapore Overseas Chinese Banking Corporation (OCBC)²⁷.

In June 2019, Burma's NLD cabinet issued a directive that the closing balance of this officially named "Union Fund Account-Other Account" from fiscal year 2019-20 onwards should be transferred to the Union budget.²⁸ It still remains unclear whether the transfer was actually made, as there is no official announcement of this. In any case, the military now has full control over these MOGE funds. In response to the coup, EITI on February 18 suspended Burma's membership status due to "political instability" and "lack of essential freedoms".²⁹

Responses from the people of Burma

The people of Burma have in their nationwide protests publicly targeted the MOGE and international oil and gas companies as key sources of funds propping up the regime. Demonstrators, including former MOGE staff, have called for sanctions of the State-Owned Enterprise and companies to withhold payments to the regime and keep these funds in a third-party escrow account until an elected federal government is in place.



Staff of MOGE demonstrating against the military coup in Yangon, early February 2021 ⁶³



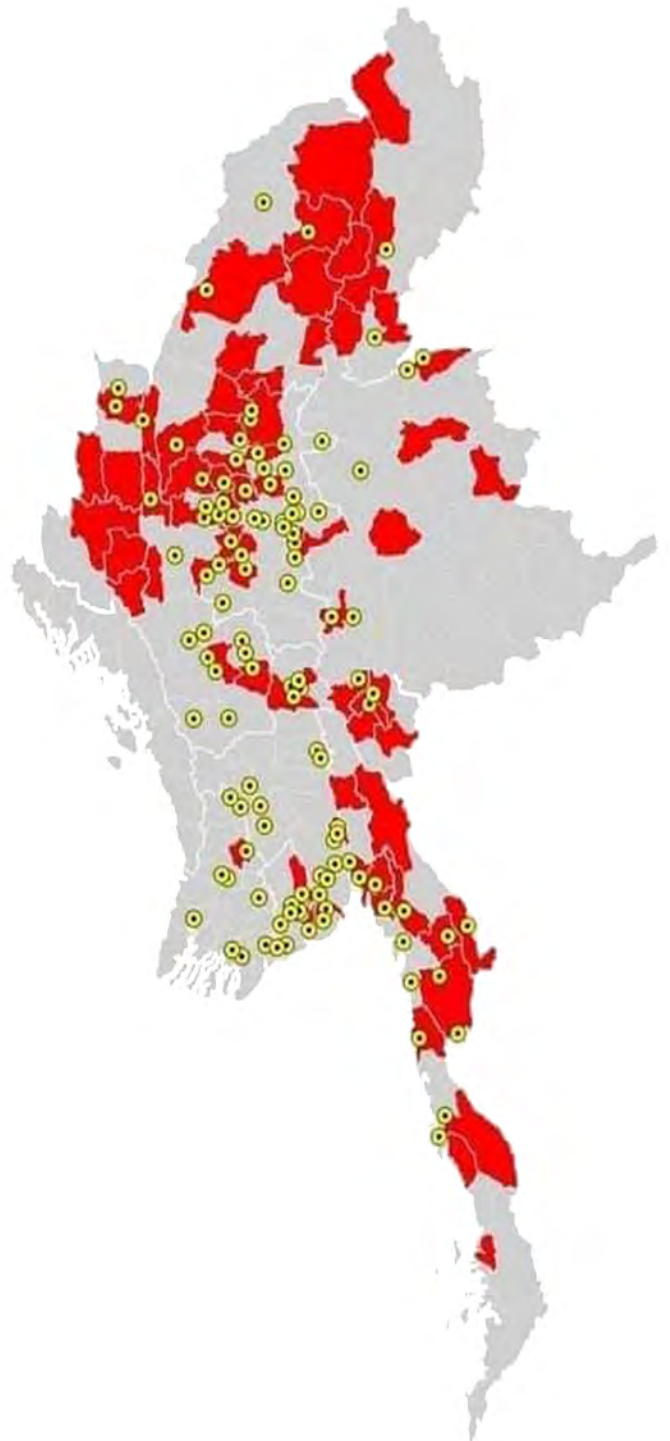
Gas pipeline explosion in Thaton Township, Mon State, late July 2021 ⁶⁴

Military crackdowns against peaceful demonstrators and frustration stemming from continued international investments and limited foreign pressure have caused increased desperation and hardened many activists into taking up arms. Over 150 local People's Defence Forces (PDFs) have been formed, and are considered a game changer in challenging the regime.³⁰

While some PDFs engage in war directly with the Burma Army, a majority of PDFs target military infrastructure and income-earning projects through urban warfare. Since July, they have gradually escalated their attacks in or around government department offices, such as the General Administration Department (GAD), electricity offices and banks, as well as electricity pylons and communications towers. Following the NUG's declaration of war and "state of emergency" on September 7, the NUG stated that over 950 attacks and targeted explosions took place across the country between September 7 and October 6, including 213 economic targets,³¹ of which 80 were telecommunications towers owned by Mytel, a joint venture between the Burma Army and Viettel, owned by Vietnam's Ministry of Defence.³²

Burma social media users have increasingly also promoted attacks against the Burma-China dual oil and gas pipelines, the Burma-Thai gas pipelines as well as the domestic pipelines.

China in particular has stressed concern over the threat to their pipelines and has called several meetings with Burma Army officials urging increased security.³³ The 800 kilometer-long oil and gas pipelines, a part of the China's crucial BRI projects in Burma transport 22 million tons of crude oil and 12 billion cubic meters of gas annually.³⁴



Reported military conflicts (red townships) and targeted explosions (yellow dots) between September 7 and October 6, 2021 (National Unity Government facebook) ⁶²

Despite this, several attacks on pipelines have taken place to date. On May 5, a PDF attack at the China gas pipeline off-take station in Mandalay led to three Burma Army casualties³⁵ and on October 8, a similar China gas pipeline off-take station in Taungtha Township of the Mandalay Region was attacked by two combined local PDFs, injuring one Burma Army soldier.³⁶ In late July and again on November 11, 2021 domestic gas pipelines were blown up in Thaton Township of Mon State.³⁷

Voices of organisations and people of Burma:

The National Unity Government:

NUG's policy framework labels MOGE as a *“restricted entity”* with which international companies should *“Avoid entering into any form of business partnership or conducting any business with”*. The policy continues to call on international actors to: *“Discharge all contractual obligations to the government of Myanmar – including but not limited to dividends, fees, rent, royalties, production shares, and any other obligations – by making payments into an escrow account until the lawful and legitimate government is restored.”*³⁸

Three-pillar framework guiding responsible investment and continued operations, Ministry of Planning, Finance and Investment, National Unity Government, July 21, 2021

*“..citizens of Myanmar are the ultimate owner of the resources above and below the ground...”. “..the Peoples Defense Forces (PDF) formed by the people of the country are reportedly safeguarding the natural resources found above and below the ground in their areas from illegal extraction by the terrorist military council...”. “...the Ministry hereby acknowledges safeguarding the natural resources by the PDFs zealously on behalf of the state and its people, urging them to keep protecting natural resources while fighting for the end of military dictatorship and establishment of federal democracy nation.”*³⁹

Statement by the Ministry of Natural Resources and Environmental Conservation, the National Unity Government, October 1, 2021

Former senior staff of MOGE, now part of the Civil Disobedience Movement (CDM):

“Since the coup the military regime is mainly surviving

from the oil and gas export revenues. International communities must block the revenue flow to MOGE.”⁴⁰

Radio interview with former senior staff of MOGE who worked with MOGE for over 30 years before joining the CDM, May 17, 2021

Total employee:

“We demand that the company management stop delivering [Yadana] gas to Thailand, so there will be no revenue from gas exports to the junta.....Another option is to freeze revenue from gas sales, at least withholding it until democratic rule returns. But the company management failed to comply with our demands”⁴¹

Anonymous local Total employee, April 2021

Statement by 462 civil society organisations from Burma:

“Ultimately, our priority is to stop these revenues reaching the junta. If this cannot be achieved, either through sanctions that allow production to continue or through companies taking action directly, the companies must divest rather than lining the pockets of the junta, undermining the efforts of the Myanmar people who are striving for restoration of democracy and for a peaceful future.”⁴²

Press release and formal statement of a submission to US, EU, UK and Australia demanding sanctions against MOGE, signed by 462 civil society organizations from Burma, August 2, 2021



Burmese protesters denounce the complicity of some foreign companies, including Total and Chevron, whom RSF contacted by mail, with the military regime on 12 February (photo: Dawei Watch).

Responses from the international community

There has been widespread international condemnation of the regime for the military coup and violence against the people of Burma. However, despite widespread early calls by demonstrators in Burma for concrete international support, such as economic sanctions and recognition of the democratic opposition, foreign governments have yet to prove themselves as significant supporters of change in Burma.

While initial strongly worded UN Human Rights Council statements after the coup promoted an expansion of economic sanctions, recent focus appears to be dealing with the fallout of the coup, such as the current pandemic and humanitarian disaster, rather than dealing with the root causes of the problems. China and Russia have predictably vetoed or toned down UN resolutions and continued investments.

India and South Korea, both with interests in Burma's Shwe gas fields, condemned the coup, but while Korea announced suspension of arms sales and military cooperation,⁴³ India has continued arms sales to the regime. While neither of these countries are expected to announce economic sanctions unilaterally, their economic policies, as well as their human rights and democratic values, would come under increased scrutiny, should MOGE be sanctioned by the EU and US.

Shortly after the coup, the US and EU and some other countries expanded targeted sanctions and asset freezes against individual regime leaders and their families, military owned companies and some State Owned Enterprises (SOEs), including the Myanmar Timber Enterprise (MTE) and the Myanmar Gems Enterprise (MGE). However, failure to sanction the larger revenue earner MOGE, has created concerns that some western nations are prioritizing short-term self-interest and protection of Chevron and Total rather than adopting a comprehensive and effective long-term approach.

Positive signs, however, have come from the EU Parliament in adopting an October 7 resolution to sanction MOGE and recognize the legitimate democratic opposition, as well as the submission of a Burma Act to the US Congress on October 4. Both require adoption at the EU Council and US Congress respectively in order to become laws.

Human Rights report submitted to the UN General Assembly:

“....sanctions should target military-owned or controlled enterprises, including the Myanmar Oil and Gas Enterprise, which represents the single largest source of revenue to the State”⁴⁴

Thomas H. Andrews, the Special Rapporteur on the situation of human rights in Myanmar, September 2, 2021

EU parliament resolution:

“...calls on the council to continue imposing targeted and robust sanctions with the aim of cutting off the life-lines of the junta...specific asset freezes and bans on international financial transfers to the two state-owned banks, the Myanmar Foreign Trade Bank and the Myanmar Investment and Commercial Bank, through which all foreign currency is collected, and adding to the sanctions list the state-owned Myanmar Oil and Gas Enterprise, which generates the junta’s single largest foreign currency inflow”⁴⁵

European Union Parliament resolution adopted 7 October 2021

US Congress:

“...sanctions should be placed on the Myanmar Oil and Gas Enterprise (MOGE), an agency within the Myanmar government’s Ministry of Electricity and Energy which remains the largest source of foreign exchange for the Tatmadaw.”⁴⁶

A submission to the US Biden administration by a bipartisan group of US senators: Marco Rubio (R-FL), Jeff Merkley (D-OR), Dick Durbin (D-IL), Susan Collins (R-ME), Cory Booker (D-NJ) and Ed Markey (D-MA), April 27, 2021

US House of Representative’s Financial Services Committee:

“I urge the Department of Treasury to move expeditiously and use its authorities to limit the junta’s access to revenue flowing from Burma’s oil and gas industry—the government of Burma’s largest source of foreign exchange—by placing sanctions on the state-owned Myanmar Oil and Gas Enterprise (MOGE), which is now under military control.”⁴⁷

Letter to the Secretary of the US Department of Treasury Janet Yellen, by Maxine Waters, US Congress and chairwoman of the House of Representative’s Financial Services Committee, August 4, 2021

Responses from international oil and gas companies

Due to the current sharp rise in global energy prices, international and local oil and gas companies have increased their profits in Burma and made hundreds of millions of dollars since the coup alone. The majority of the international oil and gas companies operating in Burma have largely continued their operations as before. A few companies have spoken out about the coup, but mainly only in response to pressure or questions from the civil society or media groups.

In late February, Australian Woodside was the first operator of off-shore oil and gas fields to suspend its exploration activities in Burma, citing the human rights situation.⁴⁸ In its latest six month report, Woodside states that its business decisions are “under review”.⁴⁹

In late October 2021, Japanese company Mitsui Oil Exploration Company (MOECO) became the first company to divest from Burma’s off-shore fields since the coup. MOECO withdrew its 20% shareholding interest from the M3 block, leaving Thai PTTEP with a 100% stake in the block.⁵⁰

While the Total CEO in early April stated that they would also suspend drilling operations as of May,⁵¹ this conveniently enabled Total to continue, with PTTEP, the drilling of two new wells in the Yadana and nearby Badamya fields during April and May. Then, in flagrant violation of their own pledge, they completed the drilling of yet another well in August, all to expand the extraction of Yadana gas.⁵²

In response to pressure from the legitimate National Unity Government and civil society, Total and Chevron have withheld minor payments of the MOGE dividend from the Moattama Gas Transportation Company (MGTC) revenue share, approximately US\$ 40 million per year. However, these companies have continued paying the regime the remaining 90%, which would amount to approximately US\$ 365 million yearly in dividends, taxes and royalties from the Yadana project (see table on page 5).⁵³

Total claims to “stand with the people of Myanmar” but states that they must continue production, for otherwise their staff would be unemployed, the country would face electricity shortages, and their staff may be arrested or forced by the regime to continue production. They also say withholding tax payments would be a crime under local law.⁵⁴

These responses from Total have been opposed by its own local staff, the federal democracy movement and demonstrators throughout the country, stating that the damage done by continuing to prop up the military regime far outweighs these arguments. The Total Chief Ex-

ecutive Patrick Pouyanne has however stated that the taps would be turned off at Yadana if Total felt it could no longer safely continue operations,⁵⁵ and the rapidly expanding civil war could force their hand.

Following pressure against South Korean POSCO to end payments to the Burma regime, the company claimed in late May they were reviewing their position, but have since remained silent.⁵⁶ Another POSCO entity, Myanmar POSCO Coated and Color, had — in response to the coup — on April 16 terminated a joint steel production venture with the military-owned Myanmar Economic Holdings Limited (MEHL).⁵⁷

The option of Force Majeure

While Petronas' declaration of Force Majeure in the Yetagun field was based on low production levels, not the coup, oil and gas companies also have a contractual right to declare Force Majeure in response to political instability. Force majeure is a legal clause that suspends contractual obligations during a specific period and can be declared by any of the two parties when authorities or companies are unable to fulfill their obligations for reasons beyond their own control. All Production Sharing Contracts (PSC) for oil and gas projects in Burma, include a section on Force Majeure:

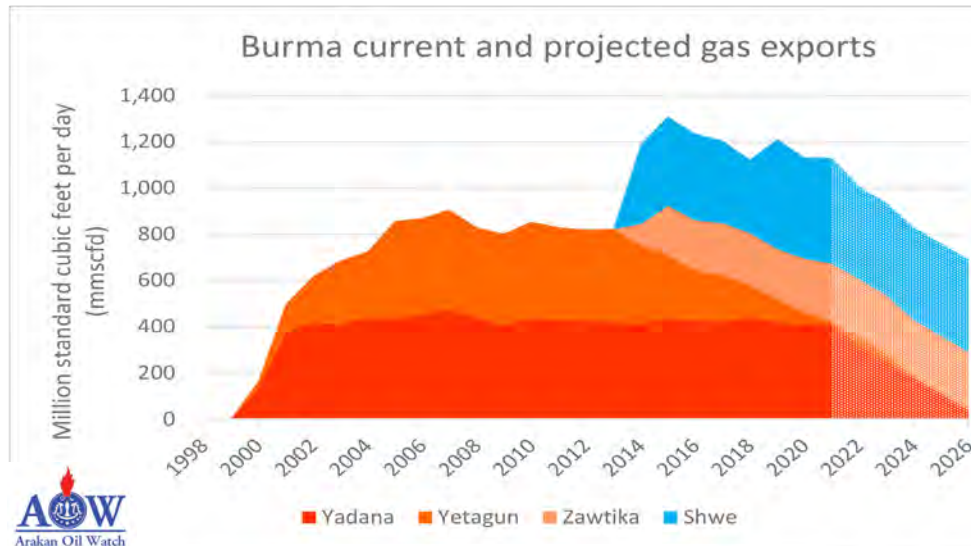
“...Force Majeure includes but shall not be limited to strikes, active hostilities or imminent threat of hostilities, blockades, riots, insurrection, fire, epidemics, natural phenomena or calamities, act of public authorities, acts of God, substantial non-availability of services or equipment, substantial breakdown of equipment and accidents provided always that the foregoing incidents are beyond the reasonable control of the Party invoking Force Majeure.”

(Standard Production Sharing Contract, Section 20.2)

As such, the clause would offer oil and gas companies a means of temporary suspension, should Burma's civil war or worker strikes be deemed to directly affect the operations. Contractually, the regime could terminate a PSC contract if Force Majeure is continued beyond 24 consecutive months.

Would sanctioning MOGE hurt Thailand and China?

While Burma's neighbouring countries Thailand and China would be negatively impacted by potential temporary suspensions in natural gas production and sales, neither country appears to be heavily dependent on Burma's natural gas.



AOW graph: Burma current and projected natural gas exports⁶⁰

Thailand has purchased natural gas from the Yadana and Yetagun fields in Burma since 2000, adding the Zawtika field in 2014, and at one stage Burma's gas constituted 27% of all the gas destined for Thai electricity production. By 2020, this had decreased to 15% following a rapid increase in LNG imports from other countries since 2011, while Thailand's domestic offshore fields provide the bulk -- approximately 70% -- of their natural gas needs.⁵⁸ Thailand has also increased its production of electricity from renewable sources and reduced its dependency on natural gas from 72% in 2010 to 55% in 2020.⁵⁹ Burma's natural gas therefore only contributed about 8% of Thailand's electricity in 2020, which would further shrink over the coming years, as the Yadana and Yetagun fields are depleted.

Thus, even though there would be temporary, localized electricity shortages if gas production in Burma was suspended, Thailand could increase domestic extraction and imports of LNG to make up for potential shortfall.

Unless PTTEP can replace the Yadana and Yetagun with new producing offshore fields, imports from Burma are set to be halved by 2025.⁶¹ Thailand is expecting to import the major share of natural gas from the future A6 block, but is planning to produce and sell domestic electricity from its M3 block to Burma, apparently prioritizing profits over gas imports and Thai electricity production.

Although China has recently faced energy shortages, gas from Burma's Shwe fields only contributes a miniscule part of China's electricity generation. The Shwe gas project, which transports gas to Nanning in Guangxi Province, was targeted by Beijing as a wedge for China's geopolitical expansion into the Indian Ocean, including transport of crude oil, with only limited interest in Burma's natural gas. While India was originally the front runner to buy the Shwe gas, the crackdown on the 2007 Saffron Revolution resulted in international pressure on the regime, and shortly after China's UN Security Council veto against punitive action against Burma, the regime awarded the gas to China. Kyauk Phyu in Arakan State is today a key hub of Chinese investment through the Belt and Road Initiative (BRI) including the Shwe oil and gas pipelines, deep sea port and special economic zone.

Therefore neither China nor Thailand would be severely impacted by short-term halts in production, should the sales of gas be suspended, either through military attacks, force majeure or sanctions against MOGE.

Photo of Yadana gas field located in Andaman Sea, approximately 60 kilometers offshore the nearest landfall in Myanmar



Conclusion and Recommendations

The current challenge to military rule by the people of Burma is the most inclusive and far reaching opposition that the Burma Army has faced since independence, and the infrastructure of the regime is crumbling. The non-violent Civil Disobedience Movement, People's Defense Forces, the National Unity Government, Ethnic Armed Groups and numerous community and civil society networks are increasingly pressuring the regime from all directions, and all are calling for economic sanctions against MOGE.

International governments with companies active in Burma's oil and gas sector – in particular the EU countries, the US, India and South Korea – must place comprehensive economic sanctions on MOGE and ensure that no oil and gas revenues or taxes are paid to the regime. This would be consistent with their claims to be promoting democratic and rights-based values and supporting Burma's democratic movement.

International oil and gas companies should heed the demands of the people of Burma, and immediately suspend all revenue and tax payments to the regime, and put these into a third-party escrow account. Failing that, they must suspend or cancel their projects. Otherwise, they will increasingly be branded as military collaborators, placing their staff and operations at risk.

To Governments:

- Governments must urgently place comprehensive economic sanctions on MOGE and ensure that no revenues or taxes are paid by their oil and gas companies to the regime.
- Governments must freeze all assets of MOGE held in foreign banks.
- The international community must urgently impose an arms embargo on Burma.

To Oil and Gas companies:

- The operators of Burma's offshore gas-producing fields and pipeline companies - Total, Petronas, PTTEP, POSCO and CNPC – and other shareholders must immediately suspend all gas revenue and tax payments to MOGE and the Burma regime. These funds must be deposited into a third-party escrow account.
- Unless all gas revenue and tax payments to the MOGE and the regime are suspended, these companies should suspend or cancel projects.
- All oil and gas companies in Burma should immediately suspend or cancel expansion of the four producing fields as well as current exploration and development activities aimed at exploiting new gas discoveries.

These recommendations should be followed until a democratically elected civilian government is in place under a new federal democratic constitution.

Appendix: A breakdown of shareholders in Burma's four producing off-shore natural gas fields:

1. The Shwe field consortium and the SouthEast Asia Gas Pipeline company (SEAGP)

Shwe gas field shareholders:

- POSCO – operator, S.Korea (51%)
- KOGAS, S.Korea (8.5%)
- GAIL, India (8.5%)
- ONGC Videsh, India (17%)
- MOGE (15%)

SEAGP shareholders:

- CNPC – operator China (50.9%)
- POSCO, S.Korea (25.04%)
- KOGAS, S.Korea (4.1735%)
- GAIL, India (4.1735%)
- ONGC Caspian, India (8.3%)
- MOGE (7.365%)

2. The Yadana field consortium and the Moattama Gas Transportation Company (MGTC)

Yadana gas field shareholders:

- Total – operator, France (31.2%)
- Unocal Myanmar, US (28.3%)
- PTTEP, Thailand (25.5)
- MOGE (15%)

MGTC shareholders:

- Total – operator, France (31.2%)
- Unocal Myanmar, US (28.3%)
- PTTEP, Thailand (25.5)
- MOGE (15%)

3. The Yetagun field consortium and the Taninthayi Pipeline Company (TPC)

Yetagun gas field shareholders:

- Petronas PC – operator, Malaysia/HK (40.91%)
- Nippon Oil, Japan (19.32%)
- PTTEP, Thailand (10.32%)
- MOGE (20.45%)

TPC shareholders:

- Petronas PC – operator, Malaysia/HK (40.91%)
- Nippon Oil, Japan (19.32%)
- PTTEP, Thailand (10.32%)
- MOGE (20.45%)

4. The Zawtika field consortium and the Andaman Pipeline Company (APC)

Zawtika field shareholders

- PTTEP – operator, Thailand (80%)
- MOGE (20%)

APC shareholders

- PTTEP – operator, Thailand (80%)
- MOGE (20%)

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