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Military or the People.

Who will benefit from Myanmar's offshore gas projects?

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Key Messages

- Myanmar's natural resource wealth should benefit the country's 54 million women, men and children not the Myanmar military. Analysts believe the coup was done in part to cement the extensive economic interests of senior generals and the Myanmar military.¹
- In 2017/2018, oil and gas revenue accounted for USD \$900 million or 72% of total extractive revenue for the Myanmar government.²
- Any revenue from offshore gas flowing to the now military controlled government could go to military operations, military interests, including the generals and military units responsible for the coup and recent atrocities against the Rohingya.
- In one 12-month period (2016/2017), USD \$8.3 million dollars of gas extracted off the coast of Myanmar from Chevron³ and Total's Yadana project (M5/M6 blocks)⁴ was sold via the joint venture partner (MOGE) to the Myanmar military, its conglomerates - Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings Ltd (MEHL) - and the notorious Asia World Co.⁵
- If Chevron and Total continue to make financial or in-kind payments to the Myanmar government – e.g. production bonuses, royalties, taxes - they could be providing large sources of revenue to fund the operations of the Myanmar military.
- Woodside which has up to 9 interests in offshore gas in Myanmar has announced its plan to demobilise its drilling and reduce its workforce in Myanmar. This includes, the A6 block joint venture (MPRL E&P, Woodside and Total) located off the coast in South West Myanmar. If the A6 block was producing gas it could provide between 15% and 20% of the gas in cash payments⁶ to Myanmar's Oil and Gas Enterprise (MOGE) which is now under the control of the Myanmar military.⁷

¹Erlich, R, (2021), Asia Times, Following the money behind Myanmar's coup, <https://asiatimes.com/2021/02/following-the-money-behind-myanmars-coup/>

² MEITI, (2020), Report on commodity trading in Myanmar, <https://eiti.org/document/first-report-on-commodity-trading-in-myanmar-2020>

³ Chevron's affiliate in Myanmar is Unocal Myanmar Offshore Co. Ltd.

⁴ These figures come from public data Myanmar EITI, (2019), The Fourth Myanmar EITI Report For the Period 1 April 2016 to 31 March 2017 (FY 2016 - 2017), Appendix 24. MOGE Sales

⁵ MEHL and MEC are the two main military enterprises set-up to generate funds for active-duty, retired Defence Services personnel and their families as well as military units who are also shareholders. AWC is owned by Steven Law and was formerly on the US sanctions list. Steven Law's father was a known drug trafficker.

⁶ Production shares flow directly to MOGE in cash from the companies producing the gas. See MEITI report, p1.30 https://eiti.org/files/documents/4th_meiti_report_30_march_2019.pdf

⁷ There are media reports that MOGE will receive between 15% and 20% of the gas from the A6 block, see: <https://www.irrawaddy.com/news/burma/myanmar-govt-develop-offshore-gas-total-woodside-local-company.html>

- Australian oil and gas companies, including Tap Oil (ASX: TAP), Roc Oil and Transcontinental Group also have offshore gas licenses in Myanmar. These companies must follow Woodside's lead and suspend operations and support a return to democracy in Myanmar.

Recommendations

- All extractive companies in Myanmar already in production should disclose their deals (contracts), suspend all financial and in-kind payments to the Myanmar government and place revenue payments into protected accounts until such time as the legitimate and democratically elected government is returned.⁸
- The Australian government should support comprehensive, targeted sanctions against the military, its leaders and its business interests and business partners.
- The Australian government should introduce mandatory disclosures laws that require ASX listed companies and non-listed Australia extractive companies to disclose all payments to governments at the country and project level. These laws should be comparable to the laws in place in the 27 EU nations, UK, Canada, Norway and awaiting implementation in the US and Switzerland.

Background

On 1 February, the Myanmar military took power and arbitrarily arrested President Win Myint, State Counsellor Aung San Suu Kyi, leaders of regional and national governments and of the National League for Democracy (NLD), civil society activists and public figures. This compounds the grave damage that the military has done to Myanmar's political, economic, social and cultural life and to human rights more broadly over the past 60 years.

The Myanmar military's coup follows their 2017 campaign of terror culminating in their atrocities against the Rohingya, as well as war crimes and crimes against humanity in Kachin and Shan States.

⁸ Escrow accounts where payments from oil and gas are held by a third party have been used in Iran and other contexts.

Some analysts believe that the military took control to reassert their dominance after November's 2020 election delivered approximately 80% of the vote to the National League of Democracy.⁹ There is also a belief the coup was driven by General Min Aung Hlaing's political ambitions for the presidency and to cement the extensive economic interests of his family and the Myanmar military.¹⁰ Myanmar's vast natural resources, and in particular gas, have long been extracted by foreign multinationals and provide a stream of foreign currency for the country.

People in Myanmar are taking part in civil disobedience, public servants are striking and there are daily nationwide protests. In response, the Myanmar military is cutting the internet, putting tanks on the streets and firing on protesters including the death of more than thirty peaceful protesters already. Governments and civil society are calling for targeted sanctions and businesses to divest, cut ties or suspend operations involving any Myanmar military interests and businesses.

Role of oil and gas in Myanmar

The most recent Myanmar Extractives Industries Transparency Initiative (EITI) report states that the extractives sector accounted for 5.2% of state revenue,¹¹ a number that is likely well below the true value of the sector which is characterized by a high degree of illicit activities are taking place in the sector.¹² Data from MOGE, shows that in 2017/2018, oil and gas revenue accounted for USD \$900 million or 72% of extractive revenue.¹³

MOGE has long-standing links with the Myanmar military¹⁴ and has been one of the most opaque economic actors in Myanmar.¹⁵ MOGE now under the control of the Myanmar military has a role in all offshore gas project as they receive the state's share of gas and revenue payments. This means any international oil and gas company doing business in Myanmar is potentially providing funds and

⁹ Mathieson, D, (2021), Asia Times Online, Mis-reading the Myanmar Military's mind, <https://asiatimes.com/2021/02/misreading-the-myanmar-militarys-mind/>

¹⁰ Erhlich, R, (2021), Asia Times, Following the money behind Myanmar's coup, <https://asiatimes.com/2021/02/following-the-money-behind-myanmars-coup/>

¹¹ Myanmar EITI, (2020), MEITI Report 2017-2018, https://eiti.org/files/documents/meiti_reconciliation_report_2017-2018_final_signed_31st_march_2020.pdf

¹² NRG, (2016), Mineral and Gemstone Licensing in Myanmar <https://www.extractiveshub.org/servefile/getFile/id/1739>

¹³ MEITI, (2020), Report on commodity trading in Myanmar, <https://eiti.org/document/first-report-on-commodity-trading-in-myanmar-2020>

¹⁴ Justice for Myanmar, (2021), How Oil and Gas Majors Bankroll the Myanmar Military, <https://www.justiceformyanmar.org/stories/how-oil-and-gas-majors-bankroll-the-myanmar-military-regime>

¹⁵ Yanghee Lee and Isabel Todd, "Myanmar military companies should be sanctioned", *Al Jazeera*, 26 Nov. 2019.

resources to the Myanmar military. PWYP analysis and use of publicly available data shows that offshore oil and gas sales to the two main military conglomerates - Myanmar Economic Corporation (MEC) and Myanmar Economic Holdings Limited (MEHL).¹⁶

How oil and gas sales flow to the military

Publish What You Pay Australia's analysis shows offshore gas sales to the Myanmar military, their businesses, and crony-controlled companies. The most recent data from 2017/18 which is not broken down by project shows gas sales of approximately USD \$13 million from MOGE to the military conglomerate, MEC.¹⁷ These sales could have supported the profitability of military and allied businesses during the period when the military was undertaking armed operations against the Rohingya population. MOGE generally sells gas from its own production (e.g. as part of its joint venture on the Yadana block) as well as volumes bought from other domestic producers and sells gas back to the domestic market. MOGE also receives cash payments from the companies equivalent to the value of the state's share of gas produced in each field, along with other payments such as royalties, sign on bonuses and taxes.

With the recent coup, the military has illegally taken power and now controls the government departments and state-owned enterprises. All money and gas flowing to MOGE could now be used by the military with no transparency or accountability. For example, there are fifteen types of cash payments (e.g., royalties, signature bonuses, production sharing) and three in-kind payments that go to MOGE from multinational oil and gas companies such as Woodside, Total and Chevron.¹⁸

In 2016-17, natural gas was sold by MOGE to Tatmadaw factories and military recruitment centers, which support the military's economic activities. The most significant sales to the military were from the Yadana offshore fields. Data shows gas sales of USD \$5.98 million worth of gas from the Yadana project to the military alone. In addition, smaller quantities of gas were sold to support the energy needs of Max and Asia World factories between 2016 and 2018, both run by crony conglomerates that the UN Fact Finding Mission is found to have made donations in support of the Tatmadaw during 2017 operations

¹⁶ Myanmar EITI, (2020), Commodity Trading report, https://eiti.org/files/documents/meiti_commodity_trading_report.pdf

¹⁷ MEIT, (2020), MEITI Commodity Trading Report, p. 14, https://myanmareiti.org/sites/myanmareiti.org/files/publication_docs/meiti_commodity_trading_report.pdf

¹⁸ Myanmar EITI, (2019), The Fourth Myanmar EITI Report For the Period 1 April 2016 to 31 March 2017 (FY 2016 – 2017), P.343

against Rohingya.¹⁹ Publish What You Pay's analysis using publicly available data from 2016/2017 shows that USD \$8.3 million worth of gas sales from the Yadana block (M5/M6) to the military, their economic conglomerates, and crony controlled companies through MOGE as fuel subsidies.²⁰²¹ This includes USD \$5.98 million of gas sales to the Myanmar military as fuel subsidies.²²

Transparency Measures and Woodside, Chevron and Total in Myanmar

Multinational companies – Total, Woodside and Chevron – all have gas projects in Myanmar. The Yadana Block (M5/M6) is operated by French company Total which has a 31% stake. U.S. based Chevron (Unocal Myanmar) holds 28% stake, Thai state-owned PTTEP holds 26% and MOGE holds a 15% stake.

Woodside's main focus in The A6 Block or Shwe Yee Htun in which Woodside holds 40% stake. Total holds 40% and local partner, MPRL E&P 20%.²³ MPRL E&P is a private company funded and co-owned by Myanmar businessman, Michael Moe Myint.²⁴

Woodside, Total and Chevron are all official supporters of the Extractive Industries Transparency Initiative (EITI) which is seen as the gold standard for domestic governance of minerals, gas and oil. It is a key anti-corruption and revenue transparency measure being implemented in more than 50 countries globally.²⁵ Myanmar, which joined in 2014, has been temporarily suspended on 18 February 2021 from the EITI due to political instability.²⁶

¹⁹ OCHR, (2019), UN Fact Finding Mission – Economic Interests of Myanmar Military, See pages 82 and 87:

https://www.ohchr.org/Documents/HRBodies/HRCouncil/FFM-Myanmar/EconomicInterestsMyanmarMilitary/A_HRC_42_CRP_3.pdf

²⁰ Myanmar EITI, (2019), The Fourth Myanmar EITI Report For the Period 1 April 2016 to 31 March 2017 (FY 2016 – 2017)

²¹ Details of subsidies arrangements listed in section 3.6.3 on 3rd MEITI report: MEITI, (2018), EITI report on mining, oil and gas, p.111

²² These calculations are based on individual gas sales from MOGE listed in the 4th EITI report, appendix 24, using the list of beneficial owners contained in MEITI, (2020), 2020 Commodity Report: Case Study Oil & Gas, Appendix 1:

https://myanmareiti.org/sites/myanmareiti.org/files/publication_docs/meiti_commodity_trading_report.pdf/ and cross checking with UN OHCHR report: <https://www.ohchr.org/EN/NewsEvents/Pages/DisplayNews.aspx?NewsID=24868&LangID=E>

²³ Woodside, (2021), Woodside's proposed deep-water gas development in Myanmar took an important step forward in December with the signing of important fiscal agreements,

<https://www.woodside.com.au/news-and-media/stories/story/myanmar-moves-ahead>

²⁴ MPRL E&P, (2021), Senior Executive Management, <https://mprlexp.com/about-us/senior-executive-management/>

²⁵ EITI, (2021), List of Supporters, <https://eiti.org/supporters/oil-gas-companies>

²⁶ [Myanmar | Extractive Industries Transparency Initiative \(eiti.org\)](https://myanmar.eiti.org/)

Significantly, the 2019 EITI standard includes a commitment for countries to disclose any contracts formed after January 2021 and encourages countries to publicly disclose any contracts and licenses that provide the terms for the exploitation of oil, gas and minerals (entered into before 2021).²⁷ To fulfil this requirement, in December 2020, a Presidential Order was issued requiring disclosure of all extractive contracts signed after January 2021.²⁸ The contract for Yadana block (M5/M6) is publicly available whilst the A6 project featuring Woodside, Total and Myanmar partner MPRL E&L was not disclosed.

The EU laws covering extractive companies housed in their 27 nations, show Total has paid USD \$768 million in the form of 10 payments from the Yadana (M5/M6) block to the Myanmar government entities since 2015.²⁹ This includes USD \$616.9 million in production entitlements to MOGE and USD \$151.3 million in taxes. As the Yadana project (M5/M6) continues to produce gas, it can be expected that similar payments will flow to the Myanmar military. Civil society actors have also suggested Total and Chevron of being complicit with the military regime in the 1990s and 2000s.³⁰

Total and Chevron also have stakes in Moattama Gas Transportation Limited, which transports gas from the Yadana project to Thailand and Myanmar and is incorporated in Bermuda a known secrecy jurisdiction which is often used to avoid regulation and tax contributions.³¹ Total Exploration & Production Myanmar (TEPM) is the Operator (31.2%) of the Moattama Gas Transportation with Chevron Global Ventures (28.3%), PTT EP (Thailand) (25.5%) and MOGE (15%) having the remaining stakes.

Aside from the A6 block, Woodside has interests in eight other offshore gas blocks and tiles in Myanmar³²³³.

²⁷ EITI, (2021), Contract Transparency, <https://eiti.org/contract-transparency>

²⁸ Lwin, N, (2020), Myanmar President Orders Mining firms to publish contracts boosting transparency, <https://www.irrawaddy.com/specials/myanmar-covid-19/myanmar-president-orders-mining-firms-publish-contracts-boosting-transparency.html>

²⁹ NRG, (2021), Resources Projects, <https://resourceprojects.org/projects?tab=0&countries=Myanmar&reportingCompanies=Total%20S.A.>

³⁰ See: FIDH, (1996), La Birmanie, TOTAL et les droits de l'Homme : dissection d'un chantier, https://www.fidh.org/IMG/pdf/dissection_birmanie.pdf and Earth Rights International, (2009), The Human Rights, Environmental, and Financial Impacts of Total and Chevron's Yadana Gas Project in Military-Ruled Burma (Myanmar)

³¹ Total, (2017), Consolidated Financial Statement, https://www.sustainable-performance.total.com/sites/g/files/wompnd1016/f/atoms/files/total_-_consolidation_scope_2017.pdf

³² MOEE, (2021), <https://www.moee.gov.mm/en/ignite/page/145>

³³ Woodside, (2019), Current Consultation Activities, https://files.woodside/docs/default-source/current-consultation-activities/myanmar-activities-current/ad-1-and-ad-8-proposed-drilling-activities---stakeholder-consultation-information-sheet.pdf?sfvrsn=f941bfc9_12

Block	Woodside's Share	Joint Venture Partners
A6	40%	Total (40%), MRPL E&P (20%)
A7	45% (operator)	Myanmar Petroleum (10%), Shell (45%)
AD1	50%	Chinese National Petroleum Company (50%)
AD8	50%	Chinese National Petroleum Company (50%)
AD7	40%	Daewoo (60%)
AD6	Could not be located	CNPC International Ltd.
AD5	As above	Myanmar Pte. Ltd & BG Exploration & Production
A4	As above	BG Exploration & Production Myanmar Pte. Ltd /Myanmar Petroleum Exploration & Production Company Limited
AD2	As above	BG Exploration & Production Myanmar Pte. Ltd

Woodside's wholly owned subsidiary in Myanmar, Woodside Energy (Myanmar) Pte Ltd, is incorporated in Singapore which is a known secrecy jurisdiction.³⁴ The use of secrecy jurisdictions should also be explained to investors in more detail by the companies. As per the table above, Woodside also has partnerships with the state run Chinese National Petroleum Company, BG Exploration and Daewoo.

On 19 February 2021, Woodside, Total and Unocal made a joint public statement with other multinationals doing business in Myanmar which outlines the companies' commitment to transparency and human rights though fails to mention the coup and the military.³⁵ After pressure from civil society, Woodside made a strong statement on 27 February, where it announced that it will de-mobilise its

³⁴ Woodside, (2019), Annual Report 2019, [https://files.woodside/docs/default-source/investor-documents/major-reports-\(static-pdfs\)/full-year-2019-results/annual-report-2019.pdf?sfvrsn=3f0c259f_12](https://files.woodside/docs/default-source/investor-documents/major-reports-(static-pdfs)/full-year-2019-results/annual-report-2019.pdf?sfvrsn=3f0c259f_12)

³⁵MCRB, (2021), Statement from Concerned Businesses, <https://www.myanmar-responsiblebusiness.org/news/statement-concerned-businesses.html>

workforce and stop drilling operations.³⁶ These commitments are a step in the right direction and show leadership from Woodside. It will be important that the partnerships and joint ventures above reflect the intentions set out in the statement and do not keep exploration activities such as drilling remain.

Woodside does outline a commitment to the UN Guiding Principles on Business and Human Rights including to protect human rights and take steps to identify, mitigate and prevent human rights abuses taking place.³⁷ Woodside has also hosted Australia's ambassador to Myanmar in Western Australia highlighting the importance, and lobbying, of Woodside's gas projects in Myanmar to the Australian government.³⁸ Whilst the Australian ambassador for Myanmar also met with the leader of Myanmar military, Senior General Min Aung Hlaing in 2020.³⁹ These two developments raises questions for the Australian government and their possible support for the project and position on sanctions against the military generals.

To date, the Australian government has made a choice to not introduce a system of mandatory disclosure of payments to governments from ASX listed and private extractive companies. These laws that apply country-by-country, project-by-project, are key to stopping payments to corrupt actors and ensuring transparency of extractive companies overseas. These laws already exist in the 27 EU nations, Canada, UK, Switzerland and Norway.

Chevron's upstream operations in Myanmar are done through Unocal Myanmar Offshore Co. Ltd. Although Chevron is not an operator, the company has a 28.3% stake in a production sharing contract for the production of natural gas from the Yadana, Badamayar and Sein fields, (Blocks M5 and M6). The Yadana project is a huge source of revenue for the government--according to the 2016/17 EITI report, the Yadana project accounted for 42% of all offshore production.⁴⁰ The Biden administration is expected

³⁶ Hodge, A, (2021), 27/3/2021, The Australia, Woodside Under The Gun to Release Myanmar Junta Deal, <https://www.theaustralian.com.au/world/woodside-under-gun-to-release-myanmar-junta-deal/news-story/263b20566295c9fd57554d6f935a5c>

³⁷ Woodside, (2021), Human Rights Policy, [https://files.woodside/docs/default-source/about-us-documents/corporate-governance/woodside-policies-and-code-of-conduct/human-rights-policy-\(december-2020\).pdf?sfvrsn=30c9955f_18](https://files.woodside/docs/default-source/about-us-documents/corporate-governance/woodside-policies-and-code-of-conduct/human-rights-policy-(december-2020).pdf?sfvrsn=30c9955f_18)

³⁸ Beatie, Sh. (2019), Pilbara News, 22/9/2019, Myanmar and Kuwait Ambassadors pay visit to the Pilbara, <https://www.pilbaranews.com.au/news/pilbara-news/myanmar-kuwait-ambassadors-pay-visit-to-the-pilbara-ng-b881318889z>

³⁹ Doherty, B. (2020), The Guardian, 21/2/2020, Australian Ambassador meets with Myanmar military chief accused of Rohingya Genocide, <https://www.theguardian.com/world/2020/feb/21/australian-ambassador-meets-with-myanmar-military-chief-accused-of-rohingya-genocide>

⁴⁰ Myanmar EITI, (2019), The Fourth Myanmar EITI Report For the Period 1 April 2016 to 31 March 2017 (FY 2016 - 2017),

to implement a strong global anti-corruption law in this term of government. Chevron's affiliate, Unocal Myanmar Offshore Co., Ltd. is also incorporated in Bermuda.⁴¹

Conclusion

With the Myanmar military increasing the attacks of protesters, it is crucial that governments and businesses choose to support Myanmar's 54 million women, men and children by advocating for a return to democracy and a reinstatement of the civilian led government. Woodside's statement opens the door for other companies to follow their position. Democracy and transparency are good for business and business can be a positive force for democracy. Myanmar's natural resource wealth should benefit its people in the form of services and infrastructure and transparency is key to unlocking this. Specific recommendations include:

- All extractive companies in Myanmar already in production should disclose their deals (contracts) and suspend all financial and in-kind payments to the Myanmar government and place revenue payments into protected accounts until such time as the legitimate and democratically elected government is returned.⁴²
- The Australian government should support comprehensive, targeted sanctions against the military, its leaders and its business interests and business partners.
- The Australian government should introduce mandatory disclosures laws that require ASX listed companies and non-listed Australia extractive companies to disclose all payments to governments at the country and project level. These laws should be comparable to the laws in place in the 27 EU nations, UK, Canada, Norway and awaiting implementation in the US and Switzerland.

⁴¹ Ibid, P. 277

⁴² Escrow accounts where payments from oil and gas are held by a third party have been used in Iran and other contexts.