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## China's 'Strategic' Gas Pipeline in Burma May Be Built on Hot Air

By [WILLIAM BOOT / THE IRRAWADDY](#) | Thursday, July 31, 2014 |

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A segment of the oil and gas pipelines running from the Arakan coast to China. (Photo: JPaing / The Irrawaddy)

The underperforming US\$1 billion gas pipeline through Burma into China was built by the state-owned China National Petroleum Corporation (CNPC) to please political leaders in Beijing rather than for sound practical reasons, a report claims.

The pipeline is one of several "strategic corridors" for energy resources ordered by now disgraced former CNPC chairman Jiang Jiem in the face of opposition by other Chinese energy strategists.

"Over the objections of Chinese industrial planners, Jiang launched the \$1 billion Myanmar gas pipeline in 2010. It was completed in June 2013. As analysts had predicted, it has been carrying only a fraction of its capacity, because the offshore Myanmar fields feeding the line were unable to supply enough gas," a special report by Reuters said.

The report coincides with the disclosure by CNPC that in its first full year of operation the pipeline carried only about 15 percent of its intended annual capacity. It runs from Kyaukphyu on the Arakan coast through Burma into China's Yunnan province and on to the provincial capital of Kunming.

CNPC has said the pipe is built to handle 12 billion cubic meters of gas per year but up to the end of June had transported only 1.87 billion cubic meters.

CNPC has given no reason for the low throughput. The pipe is linked to the Shwe field in the Bay of Bengal, operated by a consortium led by South Korea's Daewoo International and including two Indian state oil firms.

Previous reports have said the Shwe field operators are experiencing technical difficulties in reaching targeted production.

Describing Jiang as a political businessman, Reuters added: “Internal critics say Jiang drove this investment, sometimes without proper regard for cost or risk, because it would please his political masters. Given the priority the party leadership put on those strategic [energy] goals... it isn’t clear how much choice he had.”

However, Jiang is one of several top-ranking leaders associated with state-owned energy businesses now under investigation for alleged corruption.

No charges have been made public against Jiang. The official Chinese news agency has said only that Jiang is being investigated for “suspected serious disciplinary violations,” which is Communist Party jargon for corruption.

CNPC bought exclusive rights to about 200 billion cubic meters of proven gas reserves in two blocks of the Shwe field in a secret deal with the former Burmese military regime, which has been accused by numerous NGOs of channeling profits from national resource sales into foreign bank accounts.

Under the deal, energy-starved Burma receives only a small percentage of the Shwe gas. In the year up to June Burma got just 60 million cubic meters, CNPC said in a brief statement on its website.

The secret Shwe deal has been criticized by NGOs as being against Burma’s national interests, and there have been numerous allegations of human rights abuses—such as confiscation of land and loss of homes—along the route of the gas pipeline, with Burma Army units involved.

A sister crude oil pipeline being built alongside is nearing completion.

Equally secretive Daewoo International makes few public statements and there has been no formal reason given for the low production from the Shwe field.

Two energy industry news agencies, Platts and Interfax Natural Gas Daily, have quoted unnamed insiders blaming technical delays, caused in part by bad weather, for a low production rate from the Shwe field.

“Industry sources attributed the delays to a hold-up offshore. One source told Interfax that Daewoo International... was behind schedule in its drilling programme,” said Interfax earlier this year. “A ramp-up period is more or less expected, but in this case the delivered volumes are smaller than expected.”

Some energy analysts say that on the basis of the known details of CNPC’s Shwe purchase deal, the field alone cannot alone fill the pipeline.

“As CNPC’s offtake is equivalent to 4 billion cubic meters [per year] analysts have questioned where the additional gas will come from to exploit the pipeline’s designed 12 bcm/y [billion cubic meters per year] capacity,” said Interfax.

The answer may lie in wishful thinking by CNPC which has had drilling rights to three deep-water offshore blocks in the Bay of Bengal in areas surrounding the Shwe field since 2007.

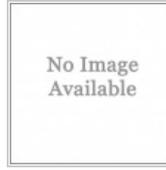
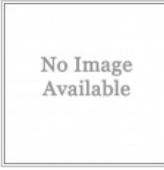
The blocks are as yet merely numbers on a map—AD-1, AD-6 and AD-8. However, on July 25 the oil and gas industry newspaper Upstream reported that CNPC has “slotted in a window early next year for a two-well exploration campaign at two deep-water blocks off Myanmar, marking the company’s first deep-water drilling outside China”.

The blocks are about 200 kilometers offshore between Sittwe and Kyaukphyu and cover an area of about 10,000 square kilometers, said Upstream.

The problem for CNPC—and any other gas and oil developer in Burma—is that the Ministry of Energy is on record as saying that no new discoveries of gas and oil will be permitted to be exported until Burma’s own growing domestic demand is satisfied.

Meanwhile, negotiations between the state-owned Myanmar Oil & Gas Enterprise and a clutch of major international energy companies over the terms of licenses to explore and develop 20 more offshore blocks drag on.

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tocharian

Thursday, July 31, 2014 - 11:20 pm

The Chinese goal is more long-term and strategic. It has to do with deep infiltration and the string-of-pearls strategy. Most Burmese don't think on a global scale and besides they are still too scared to say anything openly against the Chinese invaders.

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Oo Maung Gyi

Friday, August 1, 2014 - 7:42 am

Oil & Gas exploration in Burma is not so much easy to get expected out come, due to incorrect data and unprofessional technical report, as per a geologist stated in Burma ( Myanmar ) at the time of General Ne Win era. May be in future drilling of Gas in that area is a risk.

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Yarzart hingyan

Monday, August 4, 2014 - 12:25 am

Hope, there will not be negative fallout from the gas line.

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