

Statement by the Ministry of Economy, Trade and Industry about Japan's involvement in the Yetagun natural gas project in Myanmar, given in response to an inquiry by Michihiro Ishibashi, member of the House of Councilors of the Japanese Diet (the upper house of Japan's parliament), August 31, 2021

Original document in Japanese:
http://www.mekongwatch.org/PDF/Yetagun_METI_response_20210831.pdf

[Unofficial translation]

1. Regarding the project in general

(1) I understand that natural gas produced in the Yetagun field is transported via underwater and overland pipeline to Thailand. Which corporation owns and operates the pipeline? Does the Minister of Economy, Trade and Industry or the Ministry of Economy, Trade and Industry hold shares in the ownership and operation of the pipeline, and if so, what is the percentage share?

(Answer)

1. The pipeline in question is owned and operated by the Taninthayi Pipeline Company LCC.
2. Nippon Oil Exploration (Myanmar) holds 19.3% of the Taninthayi Pipeline Company LCC. The Minister of Economy, Trade and Industry holds 50.0% of Nippon Oil Exploration (Myanmar).

(2) Regarding the pipeline project for transporting natural gas produced in the Yetagun field (including underwater and overland pipeline), what are the payment obligations to the Myanma Oil and Gas Enterprise (MOGE) or the Myanmar government? Please indicate the amount and calculation for each payment.

(Answer)

1. This question is related to specific operational details of a corporation. It is also within the scope of the confidentiality clause in the contract between Nippon Oil Exploration (Myanmar) and MOGE that are participating in this project. Therefore, we refrain from answering this question.

(3) Has the condensate produced in the Yetagun field been sold to Thailand and Myanmar, or to one of the two countries? In the case that it has been sold to Myanmar, please indicate where or which factory in Myanmar the condensate has been used.

(Answer)

1. This question is related to specific operational details of a corporation. It is also within the scope of the confidentiality clause in the contract between Nippon Oil Exploration (Myanmar) and MOGE that are participating in this project. Therefore, we refrain from answering this question.

2. Regarding the current state and future of the project

(1) I understand that Petronas Carigali, the operator of the Yetagun gas field, declared "force majeure" due to reduction in the amount of gas produced and that production has been suspended since the beginning of April 2021. Is gas production currently still suspended, and if so, is the suspension due to the same reason (reduction in the amount of gas produced)? How long is the production suspension expected to last?

(Answer)

1. According to Nippon Oil Exploration (Myanmar), at the beginning of April 2021, due to failure of gas production facilities, Petronas Carigali, the operator of the Yetagun gas field, declared “force majeure” and suspended gas production. Thereafter, gas production facilities were repaired, and production resumed on July 21, 2021.
2. However, after production resumed, several workers were found to have contracted the coronavirus, and production was suspended again on August 17. As of August 31, production is still suspended, and it is unclear exactly when production will resume.

(2) Is the plan to immediately resume gas production at the Yetagun field once the problem related to the amount of gas produced is solved? (If production has already resumed, when did production resume?)

(Answer)

1. According to Nippon Oil Exploration (Myanmar), because there is a duty to continue to supply gas under the contract with the purchaser of gas, once the problem is solved, Petronas Carigali, the operator of the gas field, will resume production.

(3) In Myanmar, the process of democratization has suffered a setback due to the military coup. Once the abovementioned problem related to the amount of gas produced is solved, will such a situation in Myanmar be considered in determining whether to resume production? If so, what specific points will be considered (or were considered)?

(Answer)

1. According to Nippon Oil Exploration (Myanmar), because there is a duty to continue to supply gas under the contract with the purchaser of gas, once the problem is solved, Petronas Carigali, the operator of the gas field, will resume production.
2. In addition, regarding the future direction of the project, we have been informed that it will continue to discuss with project partners while paying close attention to the situation in Myanmar.

3. Regarding payments related to the project

(1) Possible payments to MOGE or the Myanmar government in connection with gas production from the Yetagun field may include dividends, surface fees, training funds, royalty, income tax, value added tax and other fees. Please indicate what specific payments must be made, including how the amount is calculated for each payment.

(Answer)

1. This question is related to specific operational details of a corporation. It is also within the scope of the confidentiality clause in the contract between Nippon Oil Exploration (Myanmar) and MOGE that are participating in this project. Therefore, we refrain from answering this question.

(2) In the production sharing contract (PSC) for the Yetagun field, how much gas is allocated to the Myanmar government?

(Answer)

1. This question is related to specific operational details of a corporation. It is also within the scope of the confidentiality clause in the contract between Nippon Oil Exploration (Myanmar) and MOGE that are participating in this project. Therefore, we refrain from answering this question.

(3) Regarding payment items listed in (1) that were payable [for the gas produced] before the production suspension in April 2021, please indicate the deadline for each payment after February 2021 as well as the amount of each payment.

(Answer)

1. This question is related to specific operational details of a corporation. It is also within the scope of the confidentiality clause in the contract between the participants in this project, Nippon Oil Exploration (Myanmar), Petronas Carigali, PTTEP International and MOGE. Therefore, we refrain from answering this question.

(4) Has any payment been made since February 1, 2021? If so, please indicate the nature of the payment as well as the date and amount.

(Answer)

1. The question is related to specific operational details of corporations. It is also within the scope of the confidentiality clause in the contract between the participants in this project, Nippon Oil Exploration (Myanmar), Petronas Carigali, PTTEP International and MOGE. Therefore, we refrain from answering this question.

(5) As expressed by the resolution by both the House of Representatives and the House of Councilors, currently there is no legitimate government in Myanmar. I believe that the payments mentioned in (3) above should be suspended until democracy is restored, but how is the Ministry of Economy, Trade and Industry planning to respond? In the case that some payments have already been made, please indicate how the Ministry will prevent the payments from being used for military purposes.

(Answer)

1. Nippon Oil Exploration (Myanmar) has reported to us that, although a part of the sales from the gas has become income for the country of Myanmar based on Myanmar law and contractual provisions between Nippon Oil Exploration (Myanmar) and MOGE, it is not aware of any funds related to the Yetagun project going to the Myanmar military regime, and that it is extremely difficult to ascertain whether the funds are going to the Myanmar military.

2. Regarding the Yetagun project, the Ministry of Economy, Trade and Industry has been working closely with Nippon Oil Exploration (Myanmar) to inquire into the situation and to exchange opinions. We will continue to inquire of Nippon Oil Exploration (Myanmar) the situation of the Yetagun project and reach out to project partners through Nippon Oil Exploration (Myanmar) about measures to be taken in the future including the concerns raised by the Councilor.

4. Regarding human rights policies when the Ministry of Economy, Trade and Industry participates in a business project as an investor

(1) In the case that the Minister of Economy, Trade and Industry participates in a business project as an investor, which standards or policies does the Ministry of Economy, Trade and Industry use for its human rights considerations in the project? Does the Ministry of Economy, Trade and Industry base its considerations on policies such as the UN Guiding Principles on Business and Human Rights, the National Action Plan on Business and Human Rights (2020-2025), and the Development Cooperation Charter?

(Answer)

1. The Ministry of Economy, Trade and Industry takes seriously the action plans related to these human rights considerations in the projects that the Minister of Economy, Trade and Industry participates,

based on the abovementioned policies such as the UN Guiding Principles on Business and Human Rights, the National Action Plan on Business and Human Rights (2020-2025), and the Development Cooperation Charter.

2. The Ministry of Economy, Trade and Industry will continue to exchange opinions with Nippon Oil Exploration (Myanmar) about the situation of the Yetagun project and reach out to project partners through Nippon Oil Exploration (Myanmar) about measures to be taken in the future including the concerns raised by the Councilor.

(2) Continuing to invest in the Yetagun gas project under the current situation in Myanmar may directly or indirectly benefit the Myanmar military. I believe it is also difficult to take measures to prevent with certainty the funds from being used for military purposes. Please describe the view of the Ministry of Economy, Trade and Industry on these points and the basis for that view. Further, what measures does the Ministry believe are needed to avoid being complicit in human rights abuses?

(Answer)

1. According to Nippon Oil Exploration (Myanmar), although a part of the sales from the gas has become income for the country of Myanmar based on Myanmar law and contractual provisions between Nippon Oil Exploration (Myanmar) and MOGE, it is not aware of any funds related to the Yetagun project going to the Myanmar military regime, and it is extremely difficult to ascertain whether the funds are going to the Myanmar military.

2. Regarding the Yetagun project, the Ministry of Economy, Trade and Industry has been working closely with Nippon Oil Exploration (Myanmar) to inquire into the situation and to exchange opinions and have shared the concerns expressed by the Councilor. We will continue to inquire of Nippon Oil Exploration (Myanmar) the situation of the Yetagun project and reach out to project partners through Nippon Oil Exploration (Myanmar) about measures to be taken in the future.

(3) Does the Ministry of Economy, Trade and Industry share concerns about the current political and human rights situation with its business partners in the Yetagun project (Petronas Carigali and PTTEP International)? Please describe in specific terms the cooperation and measures being taken or planned with these partners.

(Answer)

1. With Petronas Carigali and PTTEP International, negotiations are being conducted with Nippon Oil Exploration (Myanmar) which is a participant in the Yetagun project.

2. Nippon Oil Exploration (Myanmar) has already shared its concerns about the political and human rights situation in Myanmar in meetings with project partners. As to specific measures, it will make efforts to collect and share information about the Yetagun project and continue to discuss with project partners.

3. The Ministry of Economy, Trade and Industry will also exchange opinions with Nippon Oil Exploration (Myanmar) about the situation of the Yetagun project and reach out to project partners through Nippon Oil Exploration (Myanmar) about measures to be taken in the future.