

Request to the Minister of Economy, Trade and Industry from Mekong Watch and FoE Japan

15 September 2021

Mr. Hiroshi Kajiyama
Minister of Economy, Trade and Industry

Urgent measures requested to ensure funds from the Yetagun natural gas project do not flow to the Myanmar military

In Myanmar, four large-scale offshore fields (Yadana, Zawtika, Shwe, and Yetagun) have played a significant role in earning foreign currency. Among them, the Yetagun field has been closely connected to Japanese government and corporations since the development phase.

The shareholders of the field are Malaysia's state-owned Petronas Carigali, the operator (40.9%); Myanmar Oil Gas Enterprise (MOGE) (20.5%); Thailand's PTT Exploration and Production (PTTEP) which is a subsidiary of state-owned PTT (19.3%), and Nippon Oil Exploration (Myanmar) (19.3%) (1). Nippon Oil Exploration (Myanmar) is jointly held by the Japanese government through the Minister of Economy, Trade and Industry (50%)(2), JX Nippon Oil & Gas Exploration Corporation (40%), and Mitsubishi Corporation which joined in 2013 (10%).

The Yetagun field began production in 2000, and along with the other gas fields was an important source of revenue for the military regime in Myanmar at the time. Further, the revenue likely helped to expand the military budget (3).

We understand that gas production in Myanmar entails numerous payments to be made to the Myanmar government [based on] a production sharing contract (PSC) such as surface fees, royalty, corporate tax, and special goods tax at export (4). We are deeply concerned that under the current circumstances, these gas-related payments may earn foreign currency for the political system of the Myanmar military, which seized practical power through military force and is not recognized as a government by the international community including Japan. Additionally, given that revenue from natural gas apparently led to an expansion of the military budget in the past, the possibility cannot be denied that these gas-related payments may be used in the ongoing oppression of citizens by the Myanmar military. This would mean that we, taxpayers in Japan including people from Myanmar, become indirectly complicit in the oppression by the Myanmar military, which cannot be tolerated.

Petronas Caligari, the operator of the Yetagun project, declared force majeure on the Yetagun field and ceased production in the beginning of April 2021 due to technical problems. However, on 31 August 2021, in response to an inquiry by Michihiro Ishibashi, a member of the House of Councilors, your Ministry (through the Agency for Natural Resources and Energy) revealed that "the gas production facilities were subsequently repaired and production was resumed on 21 July, 2021," but that "after production resumed, several workers were found to have contracted the new coronavirus, and production was suspended again on August 17," and further that it was "unclear exactly when production will resume." However, because basically "there is a duty to continue supplying gas under the contract with the purchaser of gas" as your Ministry states, we assume that production will resume when the problems are solved.

In addition, regarding payments to the Myanmar government based on contractual obligations including the production sharing contract for the Yetagun field, your Ministry refused to disclose any

information, stating that the issue was “within the scope of the confidentiality clause in the contract between Nippon Oil Exploration (Myanmar) and MOGE that are participating in this project” and that “[t]herefore, we refrain from answering this question.”

Further, regarding the possibility of its investment in the Yetagun gas project directly or indirectly benefiting the Myanmar military as well as measures taken to avoid being complicit in human rights abuses, your Ministry responded that “[a]ccording 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 Petronas Carigali, PTTEP International, 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.”

While promising to exchange opinions with Nippon Oil Exploration (Myanmar) and reach out to project partners, your Ministry states that “it is extremely difficult to ascertain whether the funds are going to the Myanmar military.” This would mean that your Ministry allowed production to resume without presenting any specific measures to prevent the flow of funds to the Myanmar military. This is equivalent to declaring that it will continue to mindlessly make payments to “the country of Myanmar” without paying any attention to the current humanitarian crisis in the country, and we as citizens of Japan cannot accept this. There is also strong concern that citizens of Myanmar and the international community may understand that the Japanese government is complicit in the human rights abuses by the Myanmar military.

Based on these strong concerns, we request the following from the Ministry of Economy, Trade and Industry.

Requests:

- Before resuming gas production, take appropriate measures to ensure that payments in connection with gas production in the Yetagun field do not directly or indirectly benefit the Myanmar military. This includes keeping revenue payments in an account outside of Myanmar which the Myanmar military cannot access, until democratization is achieved. In the case that it is impossible to take measures to prevent funds from flowing to the Myanmar military, gas production should not be resumed.
- Disclose to taxpayers in Japan all the conditions regarding payments to the Myanmar government in connection with the Yetagun gas field, since such conditions cannot be regarded as information essential to secure competitiveness in the private sector.

Notes

(1) Nippon Oil Exploration (Myanmar) acquired working interests in the M13 and M14 blocks in 1991 and M12 block in 1992 where the Yetagun field is located, and has developed the field through exploration, assessment, and construction of production and shipping facilities including pipeline.

(2) Shares now held by the Japanese government were previously held by the Japan National Oil Corporation (JNOC), but after JNOC received much criticism for incurring huge losses and was reorganized into the Japan Oil, Gas and Metals National Corporation (JOGMEC), the Ministry of Economy, Trade and Industry (METI) took over the shares held by JNOC. Report on Japan's development of oil and natural gas (in Japanese). 2020. Japan Petroleum Development Association.

https://www.sekkoren.jp/pdf/oil_naturalgas_2020.pdf

(3) Chapter on the Myanmar military by Y. Nakanishi in a book on Myanmar politics (in Japanese), p. 81. (2012). Institute of Developing Economies.

(4) N. Kato. Report on the decrease of natural gas production in Myanmar (in Japanese). (2018). JOGMEC.

https://oilgas-info.jogmec.go.jp/info_reports/1004762/1007564.html