


# Fighting the Resource Curse: Oil and Gas Revenue Transparency



Kyaw Sein / Researcher  
Revenue Transparency Workshop  
Yangon/Myanmar  
July 30, 2012



# Contents

- What is a resource curse
  - Oil and gas projects and Revenue
  - International Revenue Transparency Standards
  - Suggestion
- 

# What is a 'RESOURCE CURSE'



- Rich in natural resources such as oil and gas and mineral
- Bad governance (authoritarian regimes)
  - Conflict / war
  - Corruption
  - Non- reinvestment in social development
  - Poverty
  - Dutch Disease

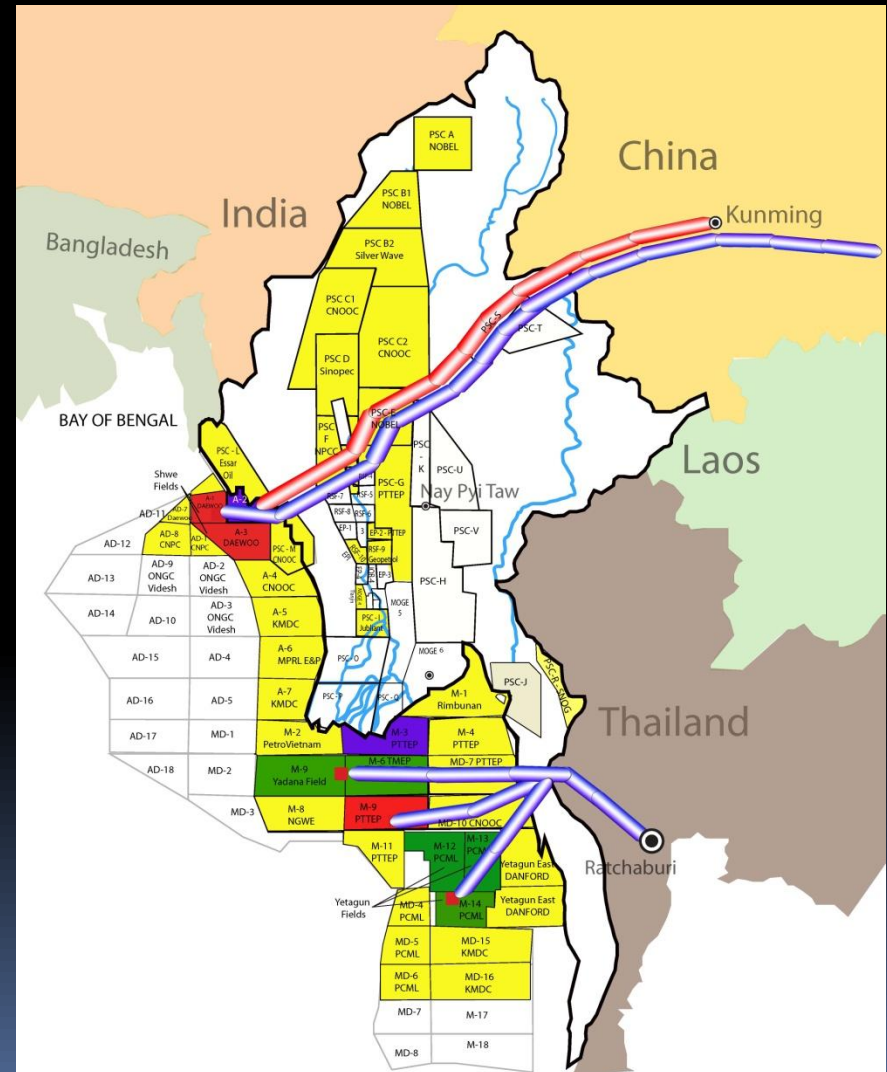


# The Largest Foreign Income: Oil and Gas Sector



# Oil and Gas Exploration Project

- 118 blocks
- 49 onshore and 26 offshore blocks under contract & exploration
- China 16 blocks
- Signature bonus/ 15 million for Yadana contract



# Foreign Oil Companies in Myanmar

- Over 20 foreign oil companies in Myanmar
- China, India, Thailand, S.Korea, France, US, UK, Russia, Japan, Malaysia, Singapore, Australia, Vietnam



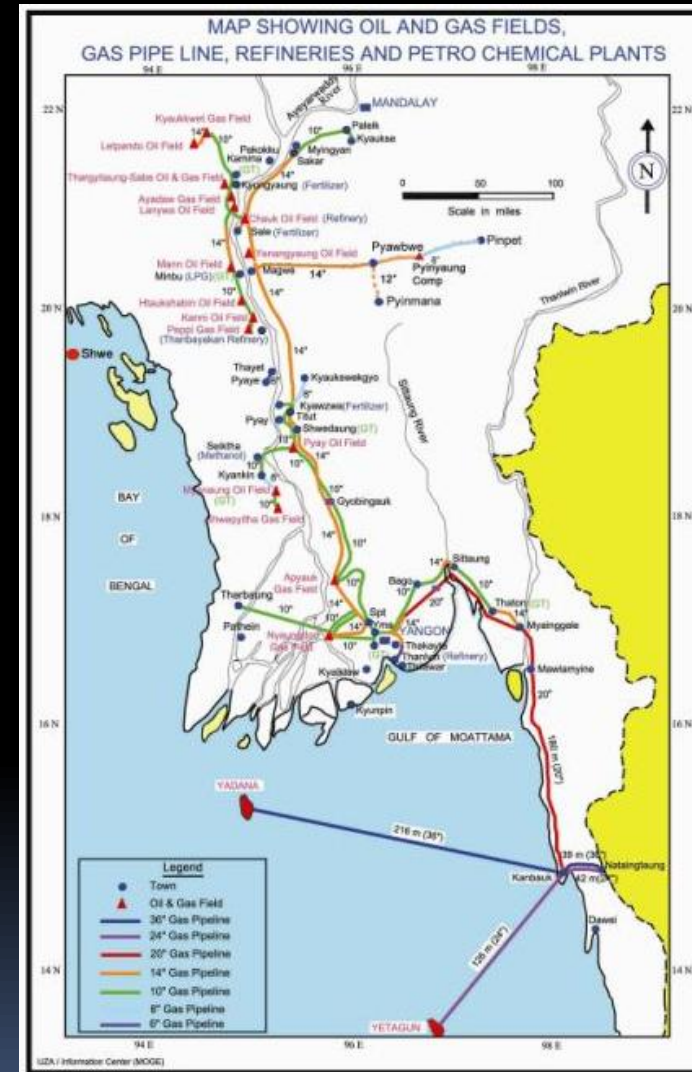
# Current Gas Export

## □ Yadana/Yetegun

- 2011-2012 US\$ 3.611 billion
- 2010-2011 US\$ 2.934 billion
- 2009-2010 US\$ 2.603 billion
- 2008-2009 US\$2.843 billion
- 2007-2008 US\$ 2.448 billion
- 2006-2007 US\$ 2.174 billion

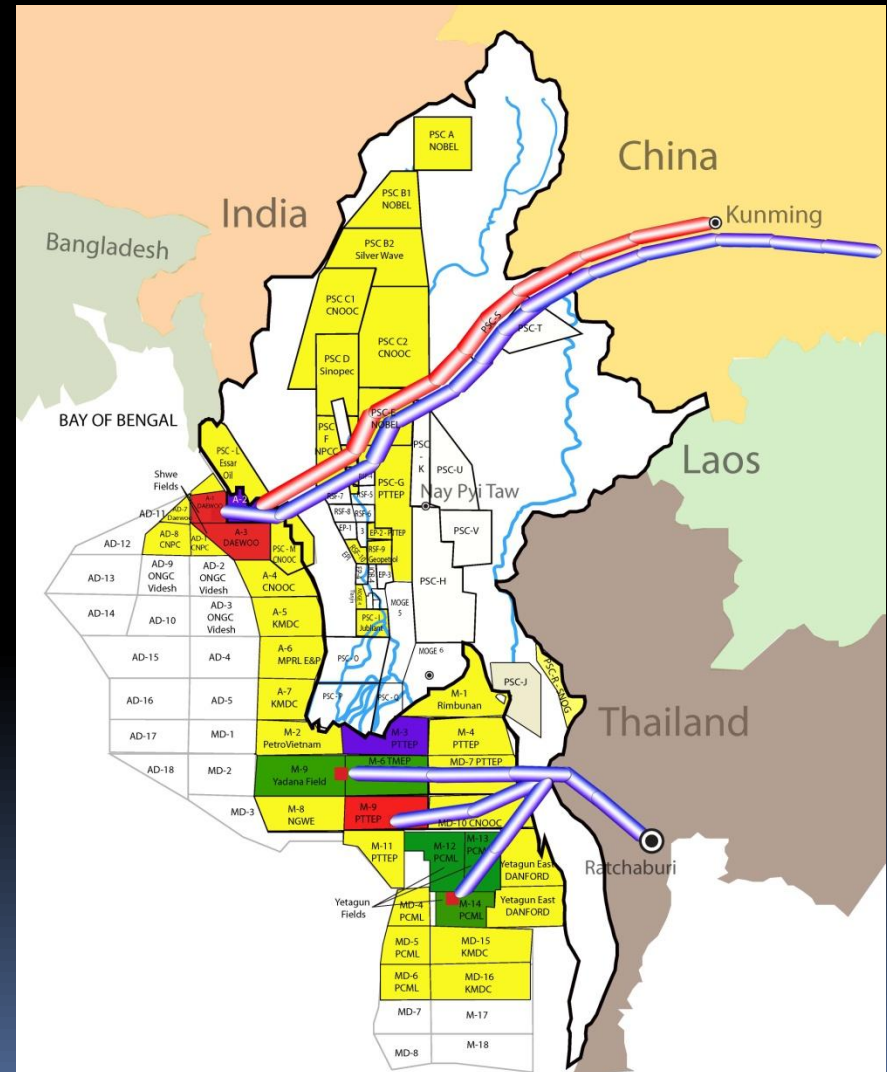
Total

US\$ 16.613

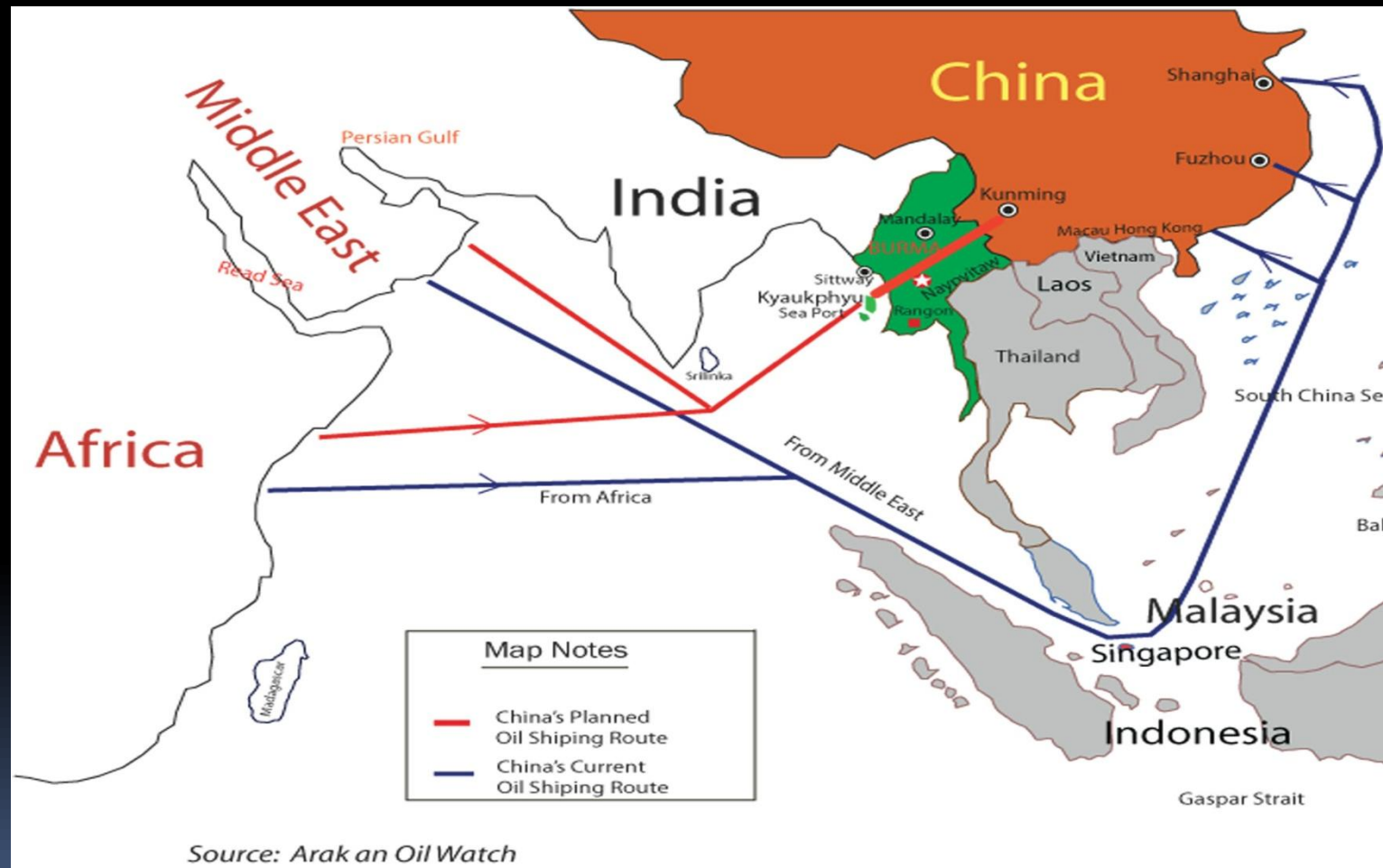


# The largest income: money in the pipeline

- Upcoming export projects:
  - 2013 Shwe (US\$1.25 billion annually)
  - Zawtika (M-9) (US\$ 0.4 billion annually)
- Gas pipeline project – US\$ 3,391.109 million
- Oil Pipeline project – US\$ 11,047.250 million



# China's new oil shipping route



# Government take from oil and gas project

- Royalty – (12.5%)
- Share of profit gas - (between 40-90 %)
- Govt stake - (15-25 %)
- Tax -(30% on profit gas)
- Fee for Training and Technology - (50,000 during exploration and 100,000 during the production per year)
- Signature bonus (\$ 2-15 million)
- Production bonus ( start \$ 1-10 million)



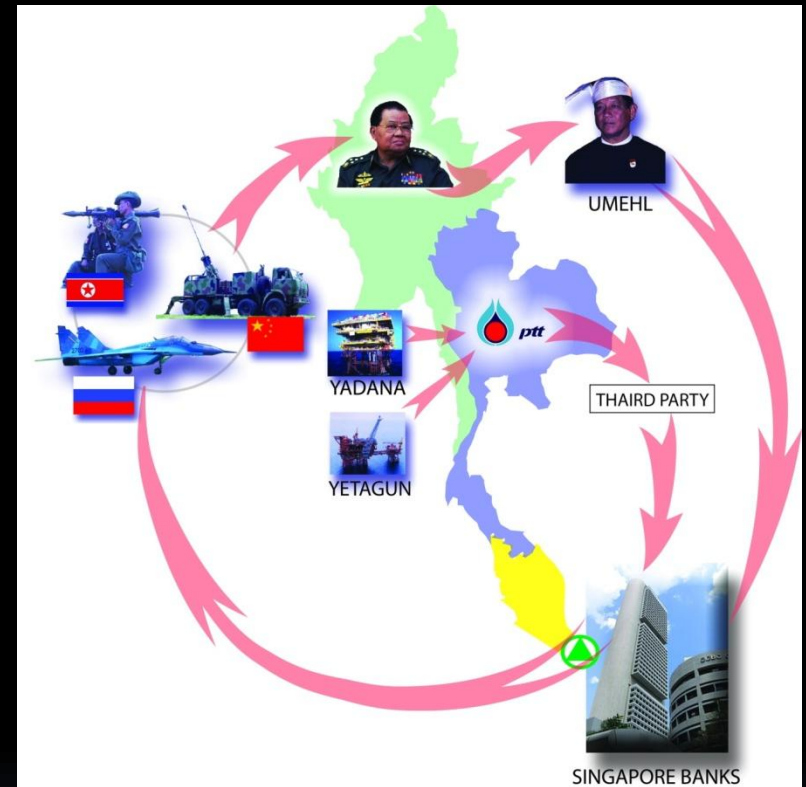
# Where is the gas money?

- Oil and gas Revenue streams unknown since 2001
- (UMEHL or MOGE) control gas revenue?



## Most analysts speculate:

- Gas payments are deposited into foreign bank accounts which are accessed by UMEHL for arms purchases and personal expenses.
- Gas \$ may never come into the country'
- Dual Exchange rate problem ( official 6 kyat/ over 800 kyat unofficial rate)




# Moving forward


## Fighting the resource curse: International Standard of Revenue Transparency

- IMF's 4 elements of revenue transparency
  - 1. Clarity of Roles and Responsibilities. This includes having a legal revenue management system, where there are specific laws that govern where revenues are deposited, who has access to them, and how they are spent.
  - 2. Open Budget Process. Information about how resource revenues are spent and how they are used in the national budget should be open and clear.






3. Public Availability of Information. Information related to natural resource revenues should be available to the public. This includes the estimated value of reserves, the amount of money paid by companies to the government, how much of that money is kept and/or used by the government, contracts between the government and companies, and other relevant information.



4. Assurances of Integrity. Internationally-recognized systems of accounting systems should be used, and regular audits should be conducted and released to the public.



## Fighting the resource curse: International Standard of Revenue Transparency

- EITI principal encourage:
    - (1) the use of revenue wealth for sustainable growth
    - (2) public understanding and participation
    - (3) greater financial transparency, management, and accountability
    - (4) government accountability for extractive industry revenue streams and expenditures
- 




# Oil and Gas Fund

- Oil and gas rich countries set up oil and gas fund (Eg: Norway: The Norwegian Pension Fund& Revenue Management system/ Alaska Permanent Fund)
- 



# A Model Oil and Gas Fund law

The Oil Revenue Management team of the Colombia University Consulting Group has outlined essential elements to oil and gas fund laws. These include:

- Definition of the revenue streams included in general oil and gas revenues;
  - Instructions for deposit of oil and gas revenues;
  - Restrictions on who can access revenues and how they are used;
  - Detailed instructions for removing and using deposited funds;
  - Sharing and distribution of oil and gas revenues with affected communities and owner states;
  - Public reporting on inflows received, expenditures and interest earned;
  - Oversight, including independent auditing.
- 

# Benefit sharing : Peace Building



## South Sudan

- 75% Oil in the South
- 2005 peace agreement: autonomy and 50% of oil proceeds
- Become a country in 2011

## Aceh



- Oil and gas Rich
- 2005 peace agreement: autonomy and 70% of oil and gas revenue

# Suggestions

## Myanmar's Government

Before inviting further foreign investments, should:

- Immediately disclose the full amount of gas revenues, where they are, how they are managed, and how they have been spent
- Establish a separate oil and gas revenue fund
- Establish and enforce revenue laws in order to manage oil and gas revenues transparently
- Establish a benefit sharing system

- 
- 
- Establish laws to protect human rights and the environment from resource extraction projects, including:
    - requirements for Free, Prior and Informed Consent before project implementation;
    - EIAs, SIAs and HIAs for all projects before implementation;

# Burma's Resource Curse

THE CASE FOR REVENUE TRANSPARENCY  
IN THE OIL AND GAS SECTOR





# Thanks

- Natural Resources for the people