

Chinese National Petroleum Corporation (CNPC) response to reports on alleged human rights impacts of Shwe gas & Myanmar-China oil transport projects

Business & Human Rights Resource Centre invited CNPC to respond to the following items:

- "Shan farmers oppose the Shwe pipelines", Northern Shan Farmers' Committee, April 2013:
http://www.shanhumanrights.org/images/stories/Action_Update/Files/shan%20pipeline%20-%20english.pdf
- "Photo essay: Selected impacts of the Shwe natural gas & Myanmar-China oil transport projects", EarthRights International, April 2013:
<http://www.earthrights.org/multimedia/essay/photo-essay-selected-impacts-shwe-natural-gas-myanmar-china-oil-transport-projects>
- "Anti-CNPC protest: Ten Arakanese produced for second time", Burma News International, 15 May 2013:
<http://www.bnionline.net/index.php/news/narinjara/15292-anti-cnpc-protest-ten-arakanese-produced-for-second-time.html>

CNPC sent the following response to the Resource Centre:

[Unofficial translation of title and text from original Chinese provided by Business & Human Rights Resource Centre.]

Clarification on Reports Regarding the Myanmar-China Oil & Gas Pipeline Project

August 2013

We have studied the content of the three reports. Hereby we answer the questions raised in your letter as follows:

1. A Brief Introduction of the Myanmar-China Oil & Gas Pipeline Project

Regarding the basic situation of the Myanmar-China Oil & Gas Pipeline Project, the company has made multiple explanations on different occasions and during our exchanges with the local media in the past. We are willing to make a brief explanation here again. The starting point of the Myanmar-China crude oil pipeline is located on Madae Island, while that of the Myanmar-China gas pipeline is located in Kyaukpyu. The pipeline then goes via Rakhine State, Camaguey Province, Mandalay Province, and Shan State, and enters China via Ruili. The total length of the crude oil pipeline is 771 kilometres, while that of the natural gas pipeline is 793 kilometres. As agreed bilaterally between Myanmar and China, upon completion and commission of the Myanmar-China oil and gas pipeline, 2 million tons of crude oil and 2 billion cubic metres of natural gas will be loaded in Myanmar each year, which could be used to promote the economic development and to improve the living standards of people in Myanmar. This will actively help solve the energy needs of Myanmar. The Natural Gas Pipeline loading points are located in Kyaukpyu, Yenangyaung, Taungtha and Mandalay.

The Myanmar-China Gas Pipeline Project is jointly invested by six parties from four countries: Chinese National Petroleum Corporation (CNPC), Daewoo Group of South Korea, OCEBV from India, Myanma Oil and Gas Enterprise (MOGE), Korea Gas Corporation (KOGAS) and Gas Authority of India Limited (GAIL). The parties founded Southeast Asia Gas Pipeline Company (SEAGP) by each making an investment; SEAGP is responsible for building and operating the Myanmar-China gas pipeline. The natural gas in the Myanmar-China gas pipeline comes from "The Shwe Gas Project", which is a gas field developed by Daewoo International Ltd. of South Korea.

The Myanmar-China gas pipeline commissioning ceremony was held in Mandalay on 28 July

2013. The Myanmar vice president Nyan Tun pointed out in his speech in the commissioning ceremony, that he believes through this pipeline, Myanmar's economy, industrialisation and electrification will be carried to a higher level. "I am particularly grateful for the protection of the natural environment at the construction site and along the pipeline regions, and the loving care given to the local people in the construction process of the project. I hope that the loving care will continue in Myanmar like the life of the pipeline project."

2. Clarifications on Certain Issues

1. The Myanmar-China Oil & Gas Pipeline Project is built fully in accordance with international standards.

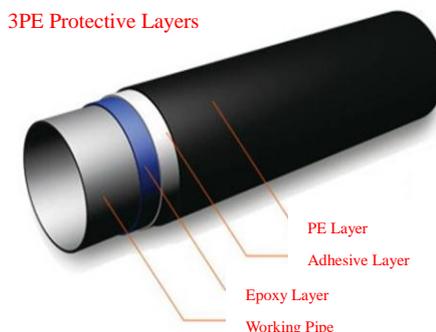
The Project mainly followed the API and ASME standards. API (American Petroleum Institute) is one of the earliest and most successful worldwide trade associations that develop standards. It is primarily responsible for standardisation of industrial oil and gas equipment. ASME (American Society of Mechanical Engineers) mainly develops and publishes norms and standards for the machinery manufacturing industry. These are now widely recognised technical standards in the international petroleum industry.

In accordance with API standard, the steel pipe used in the Myanmar-China Oil & Gas Pipeline Project is X70 carbon steel pipe which is resistant to high pressure and high temperature differentials. The exterior of the steel pipe is covered by corrosion-resistant layers and cathodic protection materials to protect the steel pipe from corrosion. The damage shown in the photo of the report is actually damage of the corrosion resistant layer, not that of the steel pipe.

Beginning at the pipeline's commissioning, to ensure safe and reliable operation of the oil & gas pipeline, the company has used SCADA monitoring and data acquisition systems for 24-hour monitoring of the pipeline's operation status. With these systems in place, we can master real-time operation status of the pipeline, and ensure its safety.



Steel pipe corrosion-resistant treatment



Structure of the pipeline corrosion-resistant layer

2. Land Acquisition and Compensation Principles of the Myanmar-China Oil & Gas Pipeline Project.

To do a good job of land acquisition from villagers along the pipeline, the Myanmar Ministry of Energy (MOE), MOGE, SEAGP and Southeast Asia Crude Oil Pipeline (SEAOP) jointly established an acquisition working group, which is directly responsible for the pipeline project's land acquisition and compensation work. The relevant regional governments' land departments at different levels where the pipeline passes by are also directly involved in land acquisition compensation work, participating in the measurement of range of land expropriated, negotiation of the compensation standard, and so on.

The land acquisition and compensation for the Myanmar-China Oil & Gas Pipeline Project always follow the principles as below: the land acquisition and compensation work shall at all times be in accordance with the laws and regulations of Myanmar; land acquisition along the pipeline shall not take villagers' arable land, or take as little arable land as possible; in case of temples, Buddhist Pagodas, schools, cemeteries, natural protected areas and heritage, the pipeline shall resolutely

avoid them by diverting; acquisition of villagers' land is based on the voluntary principle - in case certain villagers do not agree with the land acquisition, the pipeline shall bypass their land by changing its route; the principle of "compensate villagers first, and then use the land" is followed; the compensation payments are made directly to the villagers.

The land acquisition for the pipeline project that CNPC is involved in strictly followed the relevant laws and regulations of Myanmar. The land acquisition process was clear, precise and normalised. The finalisation of the compensation standards for land acquisition followed strict procedures, and was approved by government departments at multiple levels. The level of land compensation is set based on factors like the location, land type, type of crop, yield, maturity, market value of annual harvest etc. Simple comparison of its level as too high or too low is not appropriate. Standard procedures are in place for calculation of compensation. Land compensation work is always carried out in an open, transparent, and legitimate manner. All the land compensation payments are received by the land owners personally, while the signing of the land compensation agreement is also open to the public.



A villager of [Xingai], Mandalay signing a land compensation



A [Duoma] villager signing a land compensation agreement

According to the old Land Administration Law, land compensation standards include crop compensation: the crop compensation term for permanent land acquisition is five years, while that for temporary land acquisition is three years. After the new Land Administration Law of Myanmar was promulgated at the end of 2012, the provisions required that for permanent land acquisition, only three years' fee of crop compensation need to be paid. After the new law was promulgated, the company still compensated land owners who had not finished the land acquisition process at that time according to the five-year crop compensation standard for permanent land acquisition. According to the land compensation procedures, the land compensation payment is handed directly to the villagers in cash (Kyats) by holding land compensation ceremonies. No third party is used for transfer of the compensation.



Land Compensation Ceremony



Regarding the land compensation standards, the relevant responsible official from the Ministry of Energy of Myanmar has introduced and commented on the "Myanmar-China Oil & Gas Pipeline Project Land Compensation Standard" in many meetings and other public occasions. The responsible official used data comparison and analysis, and said that even compared to the

American standard, the Myanmar-China pipeline project's land compensation standard is rather high (for detailed information of the news, please refer to media reports in November 2012; you can also seek further evidence about this from the relevant government department).

All in all, the land acquisition of the pipeline project was carried out in strict observance of related laws and regulations of Myanmar. The acquisition process was clear, precise and normalised. The finalisation of the compensation standard for land acquisition followed strict procedures, and was approved by government departments at multiple levels. The level of land compensation is set based on factors like the location, land type, type of crop, yield, maturity, market value of annual harvest etc. Simple comparison of its level as too high or too low is not appropriate. Standard procedures are in place for calculation of compensation. Land Compensation work is always carried out in an open, transparent, and legitimate manner. All the land compensation payments are received by the land owners personally, while the signing of the land compensation agreement is also open to the public.

3. CNPC attaches great importance to environmental protection in the Myanmar-China Pipeline Project.

The long-distance pipeline project is a non-polluting ecological project, with no emissions, no discharge of polluted water or any other discharge of pollutants. It has the surest guarantee on the environment and safety. The pipeline project will make no impact on the groundwater of residents along the pipeline.

To perform the environmental impact assessment (EIA) of the pipeline project impartially, EIA (including SIA - Social Impact Assessment) of the Myanmar-China Oil & Gas Pipeline Project was carried out by the Thailand-based company IEM through an international tender, in accordance with the World Bank's Guidelines and Equator Principles' norms and standards. The company strictly followed international principles, and submitted a report to the responsible authorities of the Myanmar government.

Both the design and construction of the Myanmar-China pipeline and crude oil terminal project have adopted high international engineering standards, with a strict monitoring and prevention solution in place in their operations management, which includes strict engineering design standards, totally enclosed delivery technology, strict engineering quality control, effective environmental protection measures, and high-standard engineering measures for seismic restraint and typhoon restraint, multiple protections for fire safety, as well as 24-hour real-time monitoring, standardised and normalised work procedures, professional equipment service and maintenance, and effective emergency treatment and harm reduction measures. The intrinsically safe project, coupled with the strictly normalised operational management and protective measures all guarantee safe operation.



There are placards and warning signs at the construction sites to remind staff to protect the environment

The Myanmar-China Oil & Gas Pipeline Project has strict measures for sewage treatment in place. Firstly, for sewage produced in daily life both by the construction sites and management offices, each camp has built-in sewage treatment facilities. After treatment, the discharge is in compliance with international environmental requirements. Secondly, here are separate arrangements for household waste and solid waste. : Waste disposal agreements are signed with local sanitation departments, who will recycle and dispose of the waste.



Waste Classification and Disposal

CNPC has always attached great importance to protection work of historical and cultural heritage and flora and fauna protection areas. At the initial stage of the construction of the pipeline - early exploration of the line and piping design stage - the pipeline was always designed to bypass or avoid all Myanmar monuments, temples, flora and fauna protection areas, etc. that it might pass through. During the construction of the pipeline, the company and its contractors actively provided help to temples along the pipeline within its means, for example installing flush toilets for a monks' temple on Madae Island; donating money and goods to temples and orphanages, and so on. These good deeds are appreciated and welcomed by both the Buddhist monks and laypeople.



Gave 21 piglets to local villagers of Made Kyun on 14 Nov2011



On 8 Dec2011, to improve the living environment of the island, and to improve the living conditions of the residents, we bought 3,000 pcs baby fish for local residents and released them so that residents can fully make use of the newly built reservoir resources.



On Jan 08, 2012, we donated a flush toilet to the temple on the island so that it is more convenient for the monks to use.



On 5 Mar2011, went to visit 49 seniors with no family and brought quilts and oil etc. to spread the caring love from Chinese people to these elderly people.



The management of the company donated more than 26,920 RMB for children on Madae Island, who are too poor to go to school. Our slogan was: "Reach out with love"



With commissioning of the tap water project we built for the Madae Island villagers, they can now celebrate their Water-Splashing Festival with joy.

Regarding the impacts the pipeline might have on the soil - people of the Hsipaw region are concerned that the salt underground might corrode the pipeline. We can say in a responsible manner that during the pipeline exploration, we have already researched the various soil conditions to learn about the soil environment along the pipeline so that we can prevent corrosion of the pipeline by the soil - solutions are implemented accordingly. For the construction of the pipeline, it does not pass through local salt mines - the pipeline either bypasses or avoids local salt mine areas. And in accordance with regulations, the pipeline is protected with corrosion resistance technologies in accordance with international standards: the pipeline has protective measures like 3 layers of PE corrosion resistance layers, cathodic protection technology, and so on.

We understand the concerns of the Northern Shan Farmers' Committee about pipeline safety, land compensation and impact of the pipeline on the environment; we feel also perturbed by the misunderstandings caused by local people's lack of knowledge of the pipeline. As a responsible company, we are committed to implementing the project in accordance with international standards and norms. The land compensation also has a set of standard procedures in place. While having carried out the required environmental impact assessment before the construction of the project, we also attach extreme importance to the protection of the environment in the building process. We hope that by publicly clarifying and publishing this information, the misunderstanding of local people can be eliminated. What is more, we hope that through our project, we can bring a real sense of well-being to the local people.

We welcome media from all walks of life in Myanmar to report on the Myanmar-China pipeline project, so public opinion can supervise each aspect of the project. Meanwhile, we also call upon relevant organizations to let the facts speak for themselves, and to make objective assessments and publications about the Myanmar-China pipeline.