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Myanmar Highlights

July 2018

PTT Exploration and Production Plc in talks with Myanmar Government to develop large gas fired power plant in Yangon region

The Stock Exchange of Thailand-listed PTT Exploration and Production Plc (“**PTTEP**”) has announced plans to develop and operate a large gas-fired power plant to be situated south west of Yangon, through its wholly-owned Myanmar subsidiary PTTEP International Company Limited. According to PTTEP’s General Manager Piya Sukhumpanumet, PTTEP intends to develop the project in partnership with Global Power Synergy Plc (“**GPSC**”). Mr. Piya said the project will cost hundreds of millions of dollars and is being considered by the Myanmar Government. The site will be supplied by gas from an offshore pipeline. (Source: <https://www.bangkokpost.com/business/news/1509002/pttep-eyes-myanmar-project>; 24 July 2018)

Ministry of Electricity and Energy confirms bidding round for offshore oil and gas blocks will take before the end of 2018

Myanmar’s Ministry of Electricity and Energy (“**MOEE**”) has confirmed it will invite bids in respect to the exploration of offshore oil and gas blocks in Myanmar by the end of 2018. The tender process will be conducted by the State-owned Myanmar Oil and Gas Enterprise (“**MOGE**”). According to MOGE the tender rounds will be open to foreign oil and gas companies, who will no longer be obliged to establish joint ventures with local firms. Despite the fact that foreign-local joint ventures will no longer be mandatory, the MOEE have encouraged local oil and gas firms to negotiate partnerships with foreign firms so that they can benefit from the transfer of exploration and production technologies and gain access to financing. It will also protect local companies against substantial capital losses. Local companies interested in partnering with international

oil and gas companies are required to register with MOGE. There are currently 53 onshore blocks and 51 offshore blocks in Myanmar. Exploration and/or production activities are being conducted at 35 onshore and 38 offshore blocks respectively. (Source: <https://www.mmtimes.com/news/oil-and-gas-companies-urged-partner-foreign-firms.html>; 20 July 2018)

Myanmar Investment Commission approve US\$52 million investment by The International Language & Business Center

The Myanmar Investment Commission (“**MIC**”) has granted approval to The International Language & Business Center (“**ILBC**”) to provide private educational services in Yangon, Mandalay and Nay Pyi Taw. The total investment is anticipated to be approximately US\$52 million, ILBC is planning to open new campuses by the end of April 2019. ILBC has already established 30 campuses in 9 major cities in Myanmar providing preschool, kindergarten, primary school, secondary school curricula as well as English proficiency courses. Eight of these schools are in Yangon. The overall ILBC student population is approximately 13,000 students with 2,500 attending ILBC schools in Yangon. (Source: <https://www.mmtimes.com/news/mic-approves-investment-new-ilbc-campus.html>; 18 July 2018)

Chairman of Kyaukphyu Special Economic Zone warns against over indebtedness to China

U Set Aung, the chairman of the management committee of the Kyaukphyu Special Economic Zone (“**Kyaukphyu SEZ**”), has cautioned against over indebtedness to China. According to U Set Aung developers should not be provided with sovereign guarantees to mitigate risk and allay fears of a debt trap. Mr. Sean Turnell, an economic adviser to State

Counselor Daw Aung San Suu Kyi, has called the anticipated cost of the US\$7.5-billion project “crazy” and “absurd” and warned of a repeat of Sri Lanka’s experience. The Government of Sri Lanka borrowed heavily from China to build the US\$1 billion Hambantota port but following a default was forced to grant China a 99-year lease to the facility in exchange for debt relief. According to Mr. Turnell Myanmar would have to borrow between US\$2 billion and US\$3 billion from the Export-Import Bank of China to Kyaukphyu SEZ. The Kyaukphyu SEZ will cover a total 520 hectares and include a port area, together with industrial, residential and commercial space. The China International Trust and Investment Corporation (“CITIC”) won the bid to develop the Kyaukphyu SEZ in 2015. The joint-venture agreement negotiated by the government of then-President Thein Sein gives China an 85% stake in the project with Myanmar holding the remainder. The National League for Democracy, has been attempting the renegotiate to joint-venture agreement to increase Myanmar’s stake to 30%. According to Myanmar’s new planning and finance minister, U Soe Win, Myanmar also wants to reduce the overall size of the project and eliminate unnecessary expenses. (Source: <https://www.irrawaddy.com/business/new-chair-of-kyaukphyu-sez-wary-of-chinese-loans.html>; 17 July 2018)

FMI Air temporarily suspends operations due to reorganisation

Myanmar airline FMI Air Limited (“FMI Air”), has announced the temporary suspension of its operations from 23 July 2018. FMI Air is evaluating its options and may resume its business operations at a future date subject to reorganisation and market conditions. Commercial passengers with reservations to travel with FMI Air after 20 July 2018 will receive a full refund of their fares. According to FMI Air Chairman Mr. Serge Pun, “Operating in Myanmar’s aviation sector has become increasingly challenging and after much deliberation, we have decided to temporarily suspend the operations of FMI Air. This will give us time to carry out a thorough restructuring of the airline as well as to create an operational model capable of delivering future success.” The suspension of operations will lead to 134 redundancies. Where possible, affected employees will be given an option to transfer to another business entity within the Group. All other employees will be given due notice and severance pay in accordance with Myanmar labour laws. FMI Air was established as FMI Air Charter in 2012 offering flights between Yangon and Nay Pyi Taw. In 2015, FMI Air started commercial operations. In addition to the Yangon-Nay Pyi Taw route, the airline has opened up other destinations such as Dawei, Myeik, Kaw Thaug and Thandwe. First Myanmar Investment Co., Limited. holds a 10% stake in FMI

Air. (Source: <https://www.mmbiztoday.com/articles/fmi-air-temporarily-suspends-operations-due-reorganisation>; 20 July 2018)

Egat International Co. in talks with local partners to construct Myanmar power plants

Egat International Co. (“EGATi”), a wholly owned subsidiary of the Electricity Generating Authority of Thailand (“EGAT”), has announced it is in negotiations with local operators in respect to the development of small-sized gas-fired power plants in Myanmar. EGATi is evaluating 10 potential sites for the construction of power plants with a capacity of 5-10 megawatts (“MW”). EGATi estimates the cost per plant will be between US\$3 - 6 million. The stations will convert liquefied petroleum gas to power. According to EGATi’s President, Mr. Watchara Hemruchatanun, EGATi will seek to meet with representatives with Myanmar’s Department of Electricity Power Planning once it has found suitable local partners. According to the Department of Electricity Power Planning, Myanmar’s electricity supply will be 3,360MW in 2018, while demand will be 4,531MW. (Source: <https://www.mmtimes.com/news/egati-seeks-myanmar-power-plants.html>; 23 July 2018)

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Hong Kong Office:

Dominion Centre
12th Floor
43-59 Queen's Road East
Hong Kong
Tel: + (852) 2905 7888
Fax: + (852) 2854 9596

Myanmar Office:

Charltons Legal Consulting Ltd
161, 50th Street
Yangon, Myanmar
email: myanmar@charltonslaw.com

www.charltonslaw.com