

WEEKLY NEWSLETTER (MYANMAR)

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I. SHIPPING & LOGISTIC

- 1.1 TALKS SET FOR LAST ONSHORE AGREEMENT 2

II. PROPERTY

- 2.1 BRINGING HOUSING UP TO SCRATCH 3
2.2 YOMA RECEIVES MIC NOD FOR LANDMARK EXTENSION 5

III. RESOURCES

- 3.1 COAL-FIRED POWER PLANNED, BUT ON HOLD 6

IV. FINANCE & ECONOMIC

- 4.1 UMFCCI URGES CHINESE FIRMS TO ACT RESPONSIBLY 8
4.2 COMPETITION LAW ARRIVES 9
4.3 MIC PROVIDES PERMITS FOR TWO MORE INTERNATIONAL OIL COMPANIES 10
4.4 RICE MARKET HINGES ON CHINA 10
4.5 ELECTRIFICATION NEEDS AID 11
4.6 EXPERTS DERIDE LARGE-SCALE CHINESE LOAN 13

1.1 TALKS SET FOR LAST ONSHORE AGREEMENT

Negotiations for two much-delayed Production Sharing Contracts are due to restarted in April, according to an official from the Ministry of Energy.

A 2013 bidding round saw rights awarded to foreign firms and their local partners for 16 of the 18 onshore blocks on offer. Of those 16, the Production Sharing Contracts necessary for exploration and production activities to begin at the blocks have been signed for all but two of them.

the last two are left to be inked between Myanma Oil and Gas Enterprise and Petroleum Exploration Limited (PEL) of Pakistan and their local partners.

A Ministry of Energy official said the signing of the contracts for these two blocks has been delayed for a year.

“We are going to resume negotiations in early April before the Water Festival,” he said.

The official, who requested anonymity as he is not allowed to speak to the media, did not provide any more details for negotiations on onshore block J in Mon State and block O in Ayeyarwady Region.

Islamabad-based PEL has not returned two separate requests for comment on the delay.

Officials have said several times the Production Sharing Contracts are near to being signed, but so far they have not materialised.

Last year a Ministry of Energy official told The Myanmar Times that the delay was caused by problems in Pakistan.

The onshore bidders were required to have local partners. PEL chose Parami Energy and Precious Stone Mining as its partners for the two blocks.

Precious Stone Mining managing director U Kyaw Lay said the contracts have also been helped up due to an unclear situation between the two local partners.

“We have now agreed to terms and conditions for the Production Sharing Contract with the Ministry of Energy. The signing ceremony will happen in April, and Precious Stone will receive at least 20 percent of block O,” he said.

A British firm called Siren E & P had previously been involved in PEL’s bids for the blocks, but the Ministry of Energy official said it is no longer participating.



“The signing will only be for PEL with Parami and Precious Stone, as awarded in the bid,” the official said. “No other international company is involved.”

Parami Energy is set to take a 20pc share in both of the blocks, according to its chief executive Ken Tun.

“We are meeting internally soon to confirm the Production Sharing signing, but it mainly depends on the Energy Planning Department,” he said.

The other 14 onshore blocks were signed from July to September 2014.

2.1 BRINGING HOUSING UP TO SCRATCH

Housing is a notoriously mixed bag in Yangon. While there are a growing number of quality buildings, there is also a wide range of basically unliveable homes.

Urban planner U Kyaw Latt said liveability was not always at the top of mind when housing was built.

“In the last few decades, housing was constructed with inhumane designs,” he said.

U Kyaw Latt defined inhumane design as residential buildings that are clustered too tightly together, with little thought put to building character and leaving space.

Many of these buildings are over 20 years old. They were often built through public-private partnerships, but with no incentive to build quality units.

“Under that system, private companies built a lot of housing that mostly gained them a lot of money,” he said.

U Aung Kyaw Linn, 38, lives in a row house in South Okkalapa township. His home is old and in poor condition and he would like to upgrade through a deal with a contractor, but so far has not found anyone who is interested. Demolishing the entire structure would require 10 separate home owners to agree, though, and to him it seems impractical.

“Given the structure of our building, it would not withstand another storm like Nargis,” he said. “But I love my home as I grew up in it.”

U Aung Kyaw Linn says his house is relatively spacious and can accommodate his nine-member family. However, there is a lack of fresh air, with no windows in the home apart from the front veranda.

“I’ve been working in Thingangyun township for quite some time. I see more new buildings constructed there than the neighbourhood I live in,” he said.

Urban planner U Kyaw Latt is an advocate for a more humane approach to housing. He said development should not skip over places like playgrounds for children, car parking and waste disposal systems. Yet with supply still limited, many of Yangon’s lower and middle classes are crammed in to these homes.

Living in these buildings takes a toll, he said. “Look at the buildings that were put up 20 years ago, buildings with no windows, no light during the day and no ventilation,” he said.

“A living area should have proper ventilation. For instance there should be a window in the kitchen and the washroom.”

Yangon City Development Committee rules stipulate contractors must add in a range of features designed to make housing more humane. Developers are required to install an electricity metre, emergency exit, effective waste water system, fire security and in some instances roads. Yet is it obvious that much of even the city’s newer construction is not following these rules.

Buildings that are three storeys or taller are expected to have emergency exits, such as a back stairwell, for use if the building catches fire.

an official from YCDC’s Fire Services Department said that before 2014 the department rarely paid attention to this requirement when providing certification.

“In 2012, the Fire Services Department issued a notice that all buildings at three storeys or above that have their fire security system and emergency exits checked by the department. But it didn’t work out,” he said.

The official said the department has begun being much more strict in enforcing these requirements since 2014. Still, the number of buildings that do not have properly certified fire prevention and escape measures far outweighs the number that do.

YCDC Building Department head U Nay Win said the department has been strict in not handing out permits declaring a newly built structure habitable until it receives an official green light from the Fire Services Department.

“There was a time when buildings were constructed already out of order,” he said. “They had no emergency exits and back stairs, no fire security system.”

Later, contractors began installing emergency exits, but in practice they rarely worked and were generally only for show. “The stairs were not useful. They were rusted and damaged in only a few years because construction and materials were low- quality,” he said.

Although safety is a major concern, others are pushing to simply make housing more people-friendly.

One researcher who requested anonymity said around 1990, buildings and structures declined significantly in quality.

“Old buildings were built with high ceilings, providing natural light and nice ventilation,” he said. “If you compare an old building with one built later, around 1990, you can see the newer building crams two floors into a space that used to hold one.”

2.2 YOMA RECEIVES MIC NOD FOR LANDMARK EXTENSION

Singapore-listed Yoma Strategic Holdings received a letter from the Myanmar Investment Commission stating it has approved a lease extension for the firm’s large Landmark Development, according to a statement issued yesterday.

Although the MIC has thrown its weight behind the project, a lease extension must still receive approval from the Ministry of Rail Transportation.

The company’s full plans for re-development of the prominent 10-acre piece of downtown property opposite the Sule Shangri-La hotel on Bogyoke Aung San Street have been held up by the need to secure the lease extension.

The full US\$400 million project is to include removal of some existing properties including the shuttered Grand Mee Ya Hta Executive Residence, and to replace them with modern structures, including a business hotel, serviced apartments, a high-end condominium, and retail and office space.

The site also contains the heritage-listed Burma Railways headquarters building, constructed in 1877, which is to be rehabilitated as a five-star Peninsula Hotel.

Yoma has a number of international heavyweights partnering in the project, including The Hongkong and Shanghai Hotels, Mitsubishi, the International Finance Corporation and Asian Development Bank.

The firm announced in June last year it would acquire an 80 percent interest in the development from its sister company SPA Group, with leases of about 24 and 26 years at the time. It has been in discussions for a new 70-year master lease on Build-Operate-Transfer terms with government authorities since December 2013. Company officials have previously said the \$400 million investment it now plans was going to be much larger than its original lease anticipated, hence the need for the longer lease.

The MIC letter dated March 10 marks another step toward receiving the longer lease, though Yoma still must finish negotiations with the Ministry of Rail Transportation.

“[Yoma] is delighted that this decision has been reached by the MIC after a protracted period of negotiations with the relevant authorities and will commence immediately on the necessary steps

with the Ministry of Rail Transportation to finalise the lease extension of the sites for the Landmark Development,” it said in a statement yesterday.

The statement also said MIC’s letter was “directing the Ministry of Rail Transportation to proceed to take the necessary steps to extend the lease”.

U Aung Kyaw Win, deputy general manager at Myanma Railway business department, said the Ministry has not received an official report from the MIC by yesterday, so could not comment on the situation.

“We are still on the look-out for the report,” he said. “We haven’t received any direct information from MIC.”

Myanmar Investment Commission officials could not be reached for comment yesterday.

Property market observers said they welcomed the move yesterday, saying it is a sign that business is still moving forward.

Colliers Myanmar managing director Tony Picon said that while the MIC’s support is good news for the development, it also shows that action is still being taken prior to the election to develop business. “It was quite a big decision to be made,” he said.

Mr Picon added the key is the refurbishment of the Burma Railways building into a five-star hotel, which will be something of a landmark within the Landmark development.

“It’s a combination of old and new, including one of the best heritage buildings in Yangon.”

Heritage buildings can be difficult to renovate and must be something of a “labour of love”, he added.

[3.1 COAL-FIRED POWER PLANNED, BUT ON HOLD](#)

Coal-fired power plants are still on the way despite concern over their social and environmental impacts raised by civil society groups.

“We are explaining coal-fire power projects in public,” said deputy minister of electric power U Aung Than Oo. “We are still trying to get peoples’ understanding. Coal-fired projects will move to the next step when they are accepted by the public.”

The ministry has not started work on any of the planned coal-fired plants, though it has signed memorandums of understanding with foreign and local companies for 12 different projects around the country.

Four of the plants are to be near Yangon, another four in Tanintharyi Region, and one each in Shan State and Ayeyarwady and Sagaing regions.

Presently, the coal-fired projects are only at MoU status. The next steps are memorandum of agreement and joint venture agreements, he said in Yangon on March 9.

“Some companies have done feasibility studies, some have not – but none have broken ground on the projects,” said an assistant director from the ministry.

The planned coal power plants have larger capacity than several gas-fired plants, ranging between 200 to 600 megawatts installed capacity.

U Aung Than Oo said the country has not been implementing larger hydro projects and gas-fired power projects due to issues of environmental concerns, financing and a strong gas supply.

“We want people to know the environmental and social impact of greater power projects are guaranteed,” he said. “We will implement these projects in ways that cause the least social and environmental impact.”

Coal plants are also cheaper than hydro or gas plants, and therefore more helpful to address the urgent need to increase electrification. It is also a reliable source of power, as generation can be increased or decreased at will, said U Aung Than Oo.

The Ministry of Electric Power has set a target of 67 percent electricity generation by coal and gas-fired power plants by 2030, though some experts say hydropower and natural gas should not be forgotten.

“Myanmar has the potential to export up to 100,000MW from hydro,” said Ken Tun, Parami Energy chief executive officer. “The country is also the largest natural gas exporter in Southeast Asia. It is questionable for Myanmar to rush for power plants which use coal.”

List of major coal power plants

Yangon Region

- Thailand’s Toyo-Thai plans a 650-1200MW plant at Thilawa Special Economic Zone
- India’s Orange Powergen, Singapore’s Global Adviser and Myanmar’s Diamond Palace Services plan a 500MW plant in Kyauktan township
- Huaneng Lancang and Htoo Company plan a 270MW plant in Htantabin township
- Virtue Land, subsidiary of Asia World, plan a 300MW plant in Kwan Chan Gone

Tanintharyi Region

- Thailand's RATCH and Blue Energy & Environment, Myanmar's Vantage and Kyaw Kyaw Phyong plan a 2460MW plant in Myeik

- Cwave Global and 24 Hours Mining & Industry plan a 500MW plant in Boat Pyin

Mon State

- Thailand's Toyo-Thai Group plans a 1280MW plant in Yay township

Ayeyarwady Region

- India's TATA Power plans a 660MW project in Nganyoutkaung township

Shan State

- Thailand's Lumpoondum plans a 500MW plant in Kyinaton

Sagaing Region

- Singapore's ISDN and Myanmar's Tun Thwin Mining plan a 270MW plant

4.1 UMFCCI URGES CHINESE FIRMS TO ACT RESPONSIBLY

Chinese firms were urged to participate in local investment in a responsible manner which avoids environmental harm during a Myanmar-China business matching event.

Representatives from 24 Chinese firms based in Tianjin in northern China visited Myanmar to study local business opportunities, though local businesspeople said it is important any investors participate in a sustainable manner.

“If Chinese invest more in projects that have no effect on nature and the social environment, it would be a good thing,” said U Myo Thet, vice president of business association UMFCCI, at the March 10 event.

“During last year's visit by Chinese premier Li Keqiang to Myanmar, he insisted Chinese firms consider the environment and social impact in Myanmar.”

The association also signed a memorandum of understanding with its Chinese counterpart to increase bilateral trade.

UMFCCI central executive committee member U Zaw Naing Thein said the memorandum is largely concerned with ethical and responsible investment, adding it would benefit both sides to abide by the rules.

Li Fuming, director of Chinese firm TJ-SADAC, said Chinese companies consider the environment and social impacts not only in Myanmar but other countries as well.

China is Myanmar's largest trading partner.

4.2 COMPETITION LAW ARRIVES

The recently-passed Competition Law could shake up business methods, though it remains to be seen how effective it will be in practice.

Like similar laws in other jurisdictions, the object is to protect public interest from monopolistic acts, speculation in goods or services, unfair competition, abuse of a dominant position and economic concentration which weakens competition, according to a briefing note from legal advisory firm VDB Loi.

The Competition Law came into force on February 24, but had been worked on by several ministries and related industries since 2012.

VDB Loi's note said parts of the act is based on an earlier competition law from Vietnam, though some parts differ significantly.

Economist U Hla Maung said the law limits some types of advertising and may add a level of bureaucracy that could stifle small business, which deviates from today's democratic flavour.

The law requires enterprises in some cases to receive approval from a commission, opening the doors to delays and possible bribery, he said.

“A commission should help address the difficulties of businesspeople, not make it more rigid,” he said.

U Hla Maung added that simply adding more restrictions will not help the market grow.

Including more “authorised people” in the process will not create free and fair competition, while if the law is deficient, speculators may be able to take advantage,” he said.

Government officials said they were more optimistic about the law, saying it helps even the playing field between companies of different size and influence. It will act as an umbrella, with many notifications, rules and regulations coming later, which will define what is permissible in different sectors, said U Than Maung, member of parliament's Commission for Assessment of Legal Affairs and Special Issues.



Although the government had officially launched a market economy 20 years, there were many stories of businesspeople's close relations with senior government officials creating fertile grounds for inside information, as well as possible bid rigging, monopolisation or closed sectors.

“We were not able to obstruct one company’s dominance in the market. While it was once easy to unfairly do business, now we must have laws that prevent this,” said U Than Maung.

He added it is important the current business environment does not follow a similar path.

“This is a new law, the first time we have had one in Myanmar on competition, so we should use it fairly instead of blaming each other,” he said.

The law also lays out penalties for transgressors. VDB Loi said the penalties are provided for “acts restricting competition”, adding violators may face three years in prison, and a fine of K15 million (US\$14,700).

[4.3 MIC PROVIDES PERMITS FOR TWO MORE INTERNATIONAL OIL COMPANIES](#)

The Myanmar Investment Commission has given permits to two more international companies planning to conduct offshore exploration and production.

The UK’s BG Exploration and Production and Australia’s Woodside Myanmar received the right to conduct exploration and production in shallow water blocks A-4 and A-7, and deepwater blocks AD-2 and AD-5.

The two firms are partnering with local companies Myanmar Petroleum Exploration and Production, and still need to sign Production Sharing Contracts before exploration can begin.

A total of nine international firms that participated in the 2013 offshore bidding have now received permits, while five have signed Production Sharing Contracts.

[4.4 RICE MARKET HINGES ON CHINA](#)

International rice prices have declined steadily in the past six months, driven lower partly by a flood of Thai rice following last year’s coup.

Local exporters say they initially weathered the competition well, given strong and expanding demand from China.

U Lu Maw Myint Maung, one of the country’s top rice exporters and joint secretary of the Myanmar Rice Federation, said world prices for local rice had been about US\$360 a tonne, though this dropped to \$300 once the Thai floodgates open.

“But Myanmar has a strong market with a good price in China. Yunnan province is far closer to Muse, and that route saved market prices from dropping too much,” he said.

The Ministry of Commerce had targeted exports of 2 million tonnes for this fiscal year, though exports have reached about 1.5 million tonnes, with less than a month left in the fiscal year. About 1 million tonnes were exported to China.

The Bangkok Post reported last week that Thailand has held five auctions since last May that have sold over 1 million tonnes of stored rice, with more auctions planned.

The previous Thai administration had stockpiled rice in a failed attempt to corner the world market, though this policy was reversed following the 2014 military coup.

The road to China has not been without trouble, however.

Starting last September, Chinese authorities began a clampdown on the trade. While it is technically illegal from Beijing’s point of view, its officials at the Muse crossing often turned a blind eye to imports.

Myanmar and Chinese officials have now been discussing legalising the trade. As part of the deal, the Myanmar Rice Federation chose nine companies qualified to begin legal trade by sea to China’s eastern seaboard.

The selection of the nine companies prompted criticism, as rice traders took to social media to vent their frustration at being left out.

U Lu Maw Myint Maung said the plan had always been to register 10 companies at a time, until the more-than-100-member companies of the Myanmar Rice Federation are registered for the China trade.

Following the initial outcry, a second round of licensing was organised after the first round, but no companies submitted bids – while over 100 had submitted bids the first time around.

U Law Myint Maung said that companies may be satisfied with the usual way of conducting exports overland in Muse, which has so far taken place unlicensed.

“Some companies are not too interested in normal [official] exports so that may be the reason why no companies applied the second time,” he said.

He added that rice traders, SMEs and the Myanmar Rice Federation are now attempting to tackle the disputes to developing the China trade.

[4.5 ELECTRIFICATION NEEDS AID](#)

Project financing is increasingly critical in achieving ambitious plans to achieve 100 percent nationwide electrification by 2030, according to experts.

The Ministry of Electric Power currently needs more than US\$600 million to extend electricity to 1.7 million more households from 2015 to 2019 as part of the National Electrification Plan push, according to ministry officials.

“We are trying to reach 50pc electrification rates in five years, and are drafting the National Electrification Plan with the help of the World Bank,” said U Aung Than Oo, deputy electric power minister, during a speech at the opening of the 3rd Myanmar Power Summit in Yangon yesterday.

“We would like to request our development partners contribute financial aid [to support] the plan.”

U Aung Than Oo pegged current electrification rates at about 34pc, or 3.5 million households, though different organisations have slightly different figures. Using the ministry’s figures, adding 1.7 million more households to the grid by 2019 would result in an electrification rate above 50pc.

Donors have begun offering investment with the plan.

The World Bank has so far offered loans of about \$400 million, including \$300 million to the ministry for expansion of the national grid and \$90 million for the Ministry of Livestock, Fisheries and Rural Development to extend off-grid electrification in rural areas.

“We have made a presentation to the Ministry of Finance and Union Parliament about the loan from the World Bank,” he said. So far, the rest of the five year plan will be funded from the state budget, he added.

Experts have pegged the entire cost of the plan at \$5.8 billion until 2030.

An additional 1300 megawatts in installed capacity has been added over the last four years, from 3412MW in 2011-12 to 4714MW at present.

The government has sought extensive outside support to develop its energy sector, receiving assistance from a range of organisations.

The Ministry of Electric Power is drafting its National Electricity Master Plan with help from the Japanese International Cooperation Agency, while its Power System Planning is supported by China’s Three Gorges Corporation, its National Electrification Plan supported by the World Bank and its Off-Grid Renewable Plan receiving Asian Development Bank assistance.

The ministry and international institutions are involved in a range of activities planning and developing the legal and regulatory frameworks for the industry, as well as working on improving financial sustainability, transmission and distribution, generation. and rural energy.



Myanmar has some of the lowest per capita consumption rates in the world, working out to 180 kilowatt hours (kWh) at present. The rate is slated to increase by 15pc a year until 2030, when the figure could reach 1493kWh.

Wang Xiapoing, senior energy specialist at the World Bank Group, said the entire National Electrification Plan will cost \$5.8 billion, or \$800 per connection.

“Additional investment will be needed for generation and transmission,” he said at yesterday’s event.

Current electricity consumption is around 2000 megawatts, while the ministry is running 44 hydro, gas and coal-fired power stations, with a much higher official installed capacity.

4.6 EXPERTS DERIDE LARGE-SCALE CHINESE LOAN

A large US\$700 million loan extended by China has come under attack from prominent community figures and social media users, who complain the terms are unfair for the country.

Some experts say the loan reflects poorly on the Ministry of Cooperatives, which is to be its beneficiary, as it may prove a challenge to pay back.

Much of the money is to be on-lent to farmers, but some question whether they are capable of repaying. Ministry of Cooperatives officials countered that collection rates have significantly improved, though some say farmers are a significant credit risk.

“If farmers don’t pay back their loans, how can the ministry?” said U Zaw Pe Win, principal of the Human Development Institute, during a March 6 seminar on the national budget at business association UMFCCI.

“Cooperatives have never succeeded in their plans throughout their history, and corruption still exists in the ministry. The loan will definitely be a burden on the country.”

The government persuaded the Pyidaungsu Hluttaw to accept a \$300 million portion of the \$700 million loan from Exim Bank of China on February 25.

Parliament had turned down the loan the previous session due to concerns over high interest rates and difficult repayment schedules.

The loan is to include a 4.5 percent annual interest rate, with a 10-year repayment period with an additional two-year deferment possible.

Many other loans have been granted on concessionary terms with little or no interest.



Parliamentarian Daw Sandar Min said the public should not blame the hluttaw for accepting the loan, but rather President U Thein Sein, who pushed it through.

MPs had initially sided against the loan “but it is not an issue the hluttaw can decide,” he said.

The loan’s interest rate is likely to rise further for farmers.

“We [parliamentarians] are all pushing to avoid loans. We only want loans that create jobs, as it is something of a tradition for farmers to take loans and not pay them back. But it failed again,” said Daw Sandar Min.

U Zaw Pe Win added that the loan does not undermine parliament’s legitimacy as it was only consulted in the matter, with the final decision resting with the ruling government.

Government officials said so far it has had success collecting on loan payments from farmers, meaning there is little chance of the loan becoming a burden.

Ministry of Cooperatives deputy director general of business management U Myo Aung said that only \$100 million of the total \$700 million in loans have so far been received, adding that losses from on-lending to farmers have so far been non-existent.

“We will receive another \$300 million in April or May, as the hluttaw has approved the loan,” he said. “We don’t know the amount of failure of lending in the past, but now we can handle loans in all 15 regions and states, including Nay Pyi Taw.”