

**Cooperation Agreement between the Government of the  
People's Republic of China and the Government of the Union  
of Myanmar on the Myanmar-China Oil and Gas Pipelines**

This Cooperation Agreement (hereinafter referred to as "the Agreement") is signed between the Government of the People's Republic of China and the Government of the Union of Myanmar.

The Government of the People's Republic of China (hereinafter referred to as "Chinese Party", which expression shall be deemed to include its successors) and the Government of the Union of Myanmar (hereinafter referred to as "Myanmar Party", which expression shall be deemed to include its successors), hereinafter are referred to collectively as "**the Parties**".

**WHEREAS**

The Framework Agreement between the Ministry of Energy of the Union of Myanmar and the National Development and Reform Commission of the People's Republic of China on Enhancing Cooperation in the Field of Energy has been entered into on July 4<sup>th</sup>, 2005 in Beijing;

The Minutes of Discussion on Enhancing Oil and Gas Cooperation between the National Development and Reform Commission of The People's Republic of China and the Ministry of Energy of the Union of Myanmar has been entered into on January 2<sup>nd</sup>, 2008 in Beijing;

The Parties believe that oil and gas cooperation is in line with the interests of both countries. To strengthen such cooperation is of great significance for enhancing friendship between the two peoples and also is of great importance to the economic development of both countries.

The Parties support the construction of the Myanmar-China Oil and Gas Pipelines, and will jointly promote the implementation and safe and reliable operation of the pipelines, with a view to further expand the mutually beneficial cooperation in oil and gas sector.

Through friendly consultations, the Parties hereby have agreed, in the light of principles of equality, mutual benefits and long term cooperation, as follows:

## **ARTICLE 1 Gas Pipeline**

1. The Parties agree that 10 billion cubic meters of natural gas will be supplied to the People's Republic of China per year through the Myanmar-China Gas Pipeline, with stable gas supply for a period of thirty (30) years. To achieve this target, Myanmar Party agrees to sell gas from A1 and A3 blocks to the People's Republic of China according to the Export Gas Sales and Purchase Agreement, Shwe Project, Myanmar, signed between MOGE, Daewoo Consortium and China National United Oil Corporation (CHINA OIL), on Dec 24<sup>th</sup>, 2008. Myanmar as the resources owner shall consider to give priority to Chinese Party in selling prospective natural gas of other blocks in Myanmar.

2. The Parties agree to support respective company designated by either party to cooperate in constructing the Myanmar-China Gas Pipeline, which starts from Ramree Island on the western coast of Myanmar and ends at the delivery point on the Myanmar side of the Myanmar-China border.

3. The Parties agree that the Myanmar Party and Chinese Party designate Myanma Oil and Gas Enterprise (hereinafter referred to as "MOGE" and) China National Petroleum Corporation (hereinafter referred to as "CNPC") as the respective execution body of the Myanmar-China Gas Pipeline Project. The Parties agree that Daewoo Consortium is one of the shareholders of the Myanmar-China Gas Pipeline.

4. The Parties agree that CNPC, as the major shareholder of the Myanmar-China Gas Pipeline, hold a share of 50.9% and is in charge of design, construction, operation and management of the pipeline, and the remaining share of 49.1% to be owned by MOGE and Daewoo Consortium, who can participate in the project in the

form of equity. The Parties will make due efforts to create necessary and good conditions for design, construction, operation and management of the gas pipeline.

5. The Parties agree that the design capacity of the Myanmar-China Gas Pipeline shall be able to meet the requirement of transmitting 10 billion cubic meters of natural gas to the P.R. China per year and maintaining stable gas supply for a period of 30 years. The Parties recognize that taking into account the offloading volume of Myanmar, the transmission capacity of the pipeline prior to the Myanmar offloading point should be 12 billion cubic meters per year. If the capacity of the Gas Pipeline fails to meet the requirement of transmitting gas to be discovered or purchased by Chinese enterprise in Myanmar in the future, the Gas Pipeline can be upgraded technically to increase the transmission capacity.

6. The Parties agree that in the principle of mutual benefits and win-win results and taking into account Myanmar's domestic demand for natural gas, Myanmar Party shall use the Myanmar-China Gas Pipeline on a paid-for basis to offload not more than 2 billion cubic meters natural gas per year at locations designated by the Parties in order to facilitate the development of Myanmar's national economy. This offload volume should not affect the transmission capacity and volume to the P.R. China.

7. The Parties agree that the price of gas from A1 and A3 Blocks transmitted via the Myanmar-China Gas Pipeline should be decided according to the Export Gas Sales and Purchase Agreement, Shwe Project, Myanmar, signed between MOGE, Daewoo Consortium and CHINA OIL, on Dec 24<sup>th</sup>, 2008.

8. The Parties agree that Right-of-Way payment for the Gas Pipeline passing through Myanmar, shall be paid by the Pipeline JV Company to the host country in accordance with the international petroleum industry practices and amount of payment shall be negotiated between the Parties.

9. The Parties agree to instruct parties concerned to sign relevant project agreements as soon as possible to accelerate gas production and gas sales to the P.R. China.

## **ARTICLE 2 Crude Oil Pipeline**

1. The Parties agree to support respective company designated by either party to construct the Myanmar-China Oil Pipeline. Such cooperation includes the following:

- (1) Construction of the Myanmar-China Oil Pipeline, which will start from Made Island on Myanmar's western coast and ends at Ruili in Chinese side of the Myanmar-China border and its matching facilities.
- (2) Construction of a complex including jetty, terminal, the crude oil storage and transportation facilities and accessories near the terminal on Made Island, capable of offloading crude oil from Very Large Crude Carriers.

2. The Parties agree that the crude oil sources of the Myanmar-China Crude Oil Pipeline will be from the Middle East or other parts of the world.

3. The Parties agree that Myanmar Party and Chinese Party designate MOGE and CNPC as respective execution body of the Myanmar-China Crude Oil Pipeline Project. The Parties agree that CNPC is the majority shareholder of the Myanmar-China Crude Oil Pipeline, in charge of design, construction, operation and management of the pipeline, other parties can participate in the project in the form of equity. Subject to approval of the Parties, crude oil supplier to China through the pipeline and/or other third party, willing to involve in investment, can be invited to participate in the project, taking into account not to change CNPC's position as majority shareholder.

4. The Parties agree that, the design capacity of the Myanmar-China Crude Oil Pipeline will be 22 million tons per year. The crude oil transported through the pipeline to the final station on the Chinese side of the Myanmar-China border should be 10 million tons per year at the initial operation period and not less than 20 million tons per year during the normal operation period extending for 30 years. If the design capacity of the Crude Oil Pipeline fails to meet the growing demand for transmitting crude oil to the P.R. China in the future, the Crude Oil Pipeline can be upgraded technically to increase the transmission capacity.

5. The Parties agree that in the principle of mutually benefits and win-win results and taking into account Myanmar's domestic demand for crude oil, Myanmar Party can use the Myanmar-China Crude Oil Pipeline on a paid for basis to transport domestic-produced crude oil and/or self-purchased crude oil and/or crude oil purchased from Chinese Oil Companies, if required for domestic utilization, with offload volume of 2 million tons per year, the additional volume will be mutually agreed upon by the Parties according to the actual throughput capacity of the pipeline to meet the domestic demand in Myanmar with a view to promote economic development in Myanmar, provided that such transportation does not affect transportation capacity and volume of the Myanmar-China Crude Oil Pipeline to the P.R. China.

6. The Parties agree that, each party, utilizing the Myanmar-China Crude Oil Pipeline to transport oil, should pay the pipeline transportation tariff according to relevant agreements.

7. The Parties agree the Pipeline JV Company would pay the Right of Way payment and Transit Fee payment to the host country in accordance with the international petroleum industry practices and amount of payment shall be negotiated between the Parties.

8. The Parties agree to instruct parties concerned to sign relevant project agreements as soon as possible to accelerate the implementation of Crude Oil Pipeline Project.

### **ARTICLE 3    Expansion of Cooperation in the Upstream Oil and Gas Sector**

The Parties agree to further expand the Parties' exploration and development cooperation in offshore and onshore oil and gas blocks in Myanmar, and to discuss and solve the issues emerging in exploration and development activities, on the basis of current upstream exploration and development collaboration.

### **ARTICLE 4    Competent Authorities**

1.    Competent authorities responsible for the execution of this agreement are the Ministry of Energy of the Union of Myanmar and the National Energy Administration of the People's Republic of China. As the competent authorities are changed, the Parties shall immediately inform each other through diplomatic channel.

2.    Under the circumstance that implementation of this agreement by one Party is affected, the competent authorities shall consult with each other and adopt methods acceptable for the Parties to resolve the problem with a view to ensure the implementation of this agreement.

### **ARTICLE 5    Government Supports**

1.    The Parties shall make efforts to support parallel construction of oil and gas pipelines and guarantee the execution body designated to perform the obligations required in construction and operation of the Myanmar-China Oil and Gas Pipelines. Myanmar government will make every reasonable endeavor to ensure the security of the Myanmar-China Oil and Gas Pipelines, including crude oil terminal, oil and gas storage facility and other accessories, in Myanmar, and will be responsible for coordination with central government agencies including finance, national defense, foreign affairs, legal, labor, railway, communication, construction, land management, telecommunication, custom and so on as well as local authorities concerned, to guarantee smooth construction and operation of oil and gas pipelines.

2. Myanmar Party agrees to, in accordance with the procedures stipulated in Myanmar law, provide necessary permit and approval for the Myanmar-China Oil and Gas Pipelines, which shall be negotiated with the Authorities concerned:

(1) Permit and approval of land use, pipeline construction and operation, various permit and approval of labor, visa, right of way, import and export of equipment and material, environmental protection issue and telecommunication service etc.

(2) Custom duty of the equipment and material required for the oil and gas pipeline construction shall be exempted in accordance with Myanmar law. During the pipeline operation, current preferential tax treatment or future preferential tax treatment for any third party, provided by Myanmar government, shall be obtained in accordance with Myanmar law.

(3) Given long-term friendly and mutual supportive relationship between the two countries, the execution body designated by the Parties will establish a joint venture to run the Myanmar-China Crude Oil Pipeline.

(4) The Parties agree to, in principle of accelerating the project development insuring safe and stable operation, study and consult with each other on transnational telecommunication service between the Myanmar-China Oil and Gas Pipelines and the pipelines connecting on the side of China, including fiber cable and satellite etc., custody transfer metering, custom, commodity inspection and pipeline operation and management issues etc.

## **ARTICLE 6    Financing**

The Parties agree that the Myanmar-China Oil and Gas Pipeline Project companies, shall select respective appropriate financing method at its own discretion.

## **ARTICLE 7 Dispute Settlement Method**

Any dispute arising from the interpretation and application of this agreement shall be settled through negotiation and consultation between the Parties.

## **ARTICLE 8 Revisions and Supplementation**

This agreement can be revised and supplemented by protocols. The revision and supplementation shall form integral parts of this agreement.

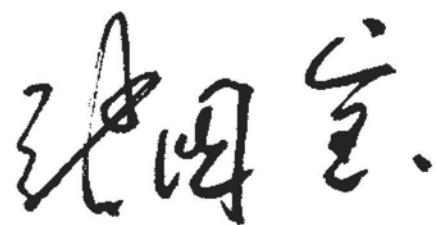
## **ARTICLE 9 Validity and Expiration**

This agreement shall come into effect on the date of signature and cease to be valid after the Parties agree on expiration with written documents.

Signed in duplicate in Nay Pyi Taw, Union of Myanmar on 26<sup>th</sup> March, 2009 in English, Myanmar and Chinese texts, all texts being equally authentic.

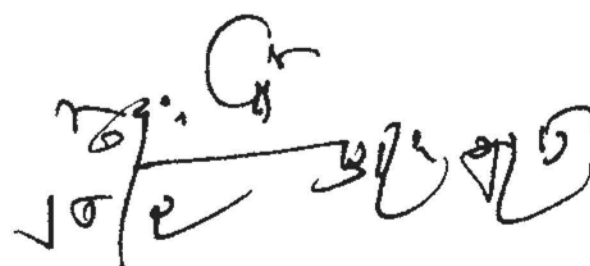
In the event that if there are any discrepancies between the English, Myanmar and Chinese texts, the English text shall prevail.

**For and on behalf of  
The Government of the  
People's Republic of China**



**H.E. Mr. Zhang Guobao  
Administrator  
National Energy Administration  
People's Republic of China**

**For and on behalf of  
The Government of the  
Union of Myanmar**



**H.E. Brig. Gen. Lun Thi  
Minister  
Ministry of Energy  
Union of Myanmar**