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China, Myanmar sign oil pipeline agreement

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LOS ANGELES, June 19 -- China National Petroleum Corp. and Myanmar's Ministry of Energy, building on earlier agreements, have signed a memorandum of understanding to build a 442,000-b/d oil pipeline. CNPC will be responsible for the line's design, construction, operation and management.

CNPC said the project includes the 1,100-km pipeline that will start at Myanmar's west coast port of Kyaukryu, enter China at Ruili, and then extend to its terminus at Kunming city, capital of Yunnan province.

China plans to receive its Middle Eastern and African oil imports at Kyaukryu and run them through the line to Kunming.

According to a report in the China Securities Journal (CSJ), however, a 300,000-dwt crude port and 600,000 cu m of oil storage also will be built in Myanmar by 2010, while construction "on oil and gas pipelines" will start in September.

The CSJ report was referring to the agreement signed in March between China and Myanmar that stated that a 2,800-km, 1.2-billion cu m gas pipeline also will be laid parallel to the oil pipeline.

Construction of the \$1.5-billion oil line and the \$1-billion gas line is expected to be complete by 2013, with CNPC holding 50.9% in the project and Myanmar Oil & Gas Enterprise holding 49.1%.

The oil line will shorten the shipping distance of China's Middle Eastern and African oil imports by 1,200 km, reducing transport time and boosting China's energy security by avoiding the pirate-infested Malacca Strait.

The gas line will enable China to import supplies from the A-1 and A-3 gas fields off Myanmar, now under development by a consortium led by Daewoo International, which last December agreed to supply CNPC with gas under a 30-year contract starting in 2013.

According to Chinese state media, the combined reserves of Myanmar's A-1 and A-3 gas blocks are 311-368 billion cu m, while Myanmar's proven gas reserves stand at 2.54 trillion cu m.

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