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Oil and gas open for tender

By Stuart Deed | Monday, 22 April 2013

The Ministry of Energy has invited bids for the rights to 30 offshore oil and gas blocks and, crucially, dropped the requirement for a domestic partner for deepwater exploration.

Of the blocks put up for tender, 11 are shallow water, which still require a domestic partner, and the remaining 19 are deepwater.

The April 11 invitation, which calls for expressions of interest and other related documents from prospective bidders by June 14, says winning bidders will be required to enter into production sharing contracts with the state-run Myanmar Oil and Gas Enterprise (MOGE).

It adds that bidders "must have technical competency, financial capability, experience, expertise and technical know-how to conduct petroleum exploration and development works in offshore areas and must have [a] good track record with respect to offshore petroleum operations" to be considered.

As with other recent tenders, such as the national telecoms licences and onshore oil and gas blocks, potential bidders will be required to undergo prequalification. Those who pass the first stage will be presented with a general overview of each block "consisting of representative data and information, free of charge, by geological/geophysical team of MOGE". They will then be invited to submit proposals for up to three blocks, with the "best offered terms and conditions ... selected for awarding".

"Due to time limitation and in anticipation to interests shown by many international oil companies, there will be no negotiation with respect to proposed terms and conditions. Hence, potential bidders has a single chance to submit their proposed terms and conditions and the submitted proposed terms and conditions must be a final one and non-negotiable," the Ministry of Energy said in the announcement.

While it was published in the state-run New Light of Myanmar newspaper on April 11 and posted on the Ministry of Energy's website, the timing of the release, coming just before the 10-day water festival break, is likely to be the subject of scrutiny.

A foreign oil and gas operator in Myanmar said he was not surprised that the ministry had dropped the local content requirement for deepwater exploration.

"For the deepwater [blocks] it's a deal breaker for the supermajors because they would have had to carry somebody on their back who only has a 5 percent stake in the project," he said. "I think it's not unreasonable for the supermajors to say to the government this is an unacceptable requirement for deepwater exploration projects."

The Myanmar Times reported last week that the ministry was considering dropping the local partner requirement for deepwater exploration, mostly on financial grounds, as deepwater exploration can cost up to US\$100 million a well.

"[T]he investment needed to explore deepwater blocks is too great – domestic companies cannot afford the capital required for that work," said U Than Tun,

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director of MOGE's offshore exploration department.

Law firm VDB Loi released an analysis of the tender on April 11, with partner Edwin Vanderbruggen labelling the dropping of the local content requirement for deepwater blocks, which had been in place for about a year, as a "landmark".

"This does not necessarily mean that foreign oil companies will bid alone," VDB said in its analysis. "Companies may still consider that their bid will be stronger if a consortium or joint venture is concluded with a suitable local partner. One can certainly imagine there are strategic benefits to teaming up with a strong local player.

"In the onshore bidding round, which is very near the stage where the shortlisted companies will be announced, local partners are only required at the stage where an actual bid is submitted. In other words, one can submit an expression of interest without a local partner," it added.

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