

# MINIMAL IMPACT: THE EFFECTS ON THAILAND'S ENERGY SECURITY OF DISRUPTING MYANMAR GAS IMPORTS

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## SUMMARY

The United States has not yet sanctioned the Myanmar military junta's largest source of foreign currency – revenues from Myanmar's offshore gas projects – in part because of fears of harming Thailand's energy security. Our analysis confirms that these fears are misguided. In 2023, Thailand is projected to be even more energy secure than it was in 2022. Contrary to disinformation spread by oil and gas companies operating in Myanmar, even if gas revenue sanctions led to the termination of gas exports from Myanmar to Thailand, the only impact on Thailand would be an increase in electricity prices. This increase would be a fraction of the costs incurred by countries weaning themselves off Russian gas to avoid funding atrocities in the Ukraine.

Gas revenues are the largest source of foreign currency available to the Myanmar military junta. Early in its February 2021 coup, the military seized control of revenue flows to the Myanmar Oil and Gas Enterprise (MOGE) – the Myanmar government office that collects revenues from the country's lucrative offshore gas projects – and is now using these revenues for its own benefit. Most of these revenues come from the export of gas to Thailand and China. The U.S. government has recognized that gas revenues “generate revenue for a military regime responsible for lethal attacks against the people of Burma.”<sup>1</sup> Global energy price spikes have seen the price per unit paid to Myanmar by the Thai buyer of the gas, PTT, increase by around 65 percent.<sup>2</sup> This suggests that the amount of gas revenues illegally seized by the junta could have increased to USD 2.1 billion a year.<sup>3</sup>

Multinational gas companies including PTT Group, Chevron and Posco continue to ignore practical options at their disposal to divert these revenues, instead treating the junta as a recognized government and rightful recipient of these funds.<sup>4</sup> The U.S. government has compounded this corporate complicity in atrocity crimes by failing to follow the EU's lead in sanctioning gas revenues and by acquiescing to pressure from Chevron lobbyists to remain on the sidelines.<sup>5</sup> Gas companies and U.S. government officials have cited concerns over Thai energy security to justify their decision to continue allowing the junta to access these revenues.

EarthRights published an analysis in September 2021 setting out that Thailand was not dependent on Myanmar gas for its energy security.<sup>6</sup> It is unlikely that U.S. sanctions or the diversion of revenues would lead to gas production stoppages,<sup>7</sup> but our 2021 analysis concluded that Thailand was highly resilient to energy shocks. This is based on its high reserve margin of energy generation capacity,<sup>8</sup> the fuel-switching capability of its gas plants, and substantial unused liquid natural gas (LNG) import capacity.<sup>9</sup>

Since September 2021, Thailand has become even more energy secure. In June 2022, the Nong Fab LNG import facility came online, increasing Thailand's LNG import capacity by 65 percent.<sup>10</sup> Nong Fab's capacity alone surpasses all imports from Myanmar by at least 50 percent.<sup>11</sup> This means that even when Thailand's LNG imports peaked in 2022, there was sufficient unused capacity to replace Myanmar gas, with fuel oil as a further backup.<sup>12</sup> This large LNG overcapacity reflects Thailand's preparations for the expected declines in Myanmar and Thai gas production and its hope of becoming a regional LNG hub.<sup>13</sup>

Thailand's fuel switching capacity was demonstrated by power plants switching from gas to fuel oil to reduce costs as global energy prices increased, resulting in a decline in gas consumption in the Thai electricity sector by 7 percent.<sup>14</sup> Energy prices also led to the Thai government extending the life of coal power units, again increasing Thai energy security.<sup>15</sup>

Energy prices in Thailand increased by about 32 percent in 2022 in response to the global energy crisis.<sup>16</sup> If Thailand had imported LNG to replace Myanmar gas, this would have increased energy prices in Thailand by around a further 9 percent. By way of comparison, in Germany, as it weaned itself off Russian gas to avoid funding conflict and atrocities in Ukraine, the price rise was 139 percent.<sup>17</sup>

In summary, Thailand continues to have sufficient energy security to withstand any reduction in Myanmar gas imports and could do so at a fraction of the cost incurred by countries that have weaned themselves off Russian gas.

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1. See: <https://home.treasury.gov/news/press-releases/jy0570>. Note that MOGE is not a "state owned enterprise" as the term is often understood. Legally, MOGE does not have a separate legal personality from the Myanmar government. Rather, it is an office within the Myanmar government's Ministry of Electricity and Energy (MOEE) rather than an independent entity. Since the military coup began, multinational gas companies have falsely attempted to portray MOGE as a legal entity that acts independently from the junta, in order to continue "business as usual." In fact, the military junta seized control of MOEE and its MOGE office early in the coup and has seized revenues owed to the Government of Myanmar for its own use. Currently, the junta is not recognized as the Government of Myanmar. It lacks both legitimacy and de facto control of the country and is acting in breach of international law so should not be considered to be the government under international law, meaning that it does not have a rightful claim to the government's gas revenues.

2. The Thai Energy Policy and Planning Office (EPPO) publishes the prices it pays for Myanmar gas. See: <http://www.eppo.go.th/index.php/th/petroleum/gas/ng/price-pool>. Prices are based on a 12-month rolling average of price indexes, giving some stability, but they rose from THB 193 / MMBTU in Oct 2020 up to THB 409 / MMBTU in Oct 2022. The sales likely take place in US dollars and there have been currency fluctuations during this period. Taking account of these, it appears that prices have risen from around USD 6.5 MMBTU in Oct 2020 to USD 10.8 per MMBTU in Oct 2022. This is an increase of 67%. The average sale price over 12 months up to October 2022 (taking an approximate account of exchange rates), is around USD 9.4 MMBTU.

3. A Government of Myanmar document titled "FY 2020-2021 Budget Brief on the Oil & Gas Sector" seen by EarthRights International forecast gas revenues for four years from 2021-22. Gas prices were estimated at between USD 6.1 and 6.7 during this period. The brief predicted a revenue of USD 1.5 billion for the year 2022/23. Taking a conservative position (i.e. an estimate of USD 6.7 MMBTU and an actual sale price of 9.4 MMBTU) this forecast would need to be increased by 40%. The forecast also predicted that production volumes would decline slightly each year from 2020/21 to 2022/23. EPPO records, however, do not show any reduction in imports to Thailand from 2020 to 2022.

4. See note 1 for more details; see also <https://earthrights.org/publication/briefer-how-totalenergies-and-chevron-can-divest-responsibly-from-myanmar/>.

5. <https://www.nytimes.com/2021/04/22/us/politics/chevron-myanmar-sanctions.html>

6. See: <https://earthrights.org/publication/analysis-impacts-of-a-disruption-of-myanmar-gas-imports-on-thailands-energy-security/>

7. For more details on why sanctions are unlikely to lead to gas production being stopped or exports to Thailand interrupted see: <https://www.justsecurity.org/82572/myanmar-juntas-execution-of-activists-casts-harsh-light-on-lack-of-u-s-sanctions-on-oil-and-gas/>. Notably, European Union sanctions on MOGE are understood to have resulted in interruptions to payments related to both the Shwe and Yetagun projects without the junta interrupting gas supplies.



8. The majority of Thailand's gas-powered independent power producers continued to remain idle in 2022 with Thailand's reserve capacity at 52% in 2022, compared to a target of around 15%. This continues to generate large "availability payments" that are passed on to the Thai consumer, increasing the cost of electricity.

9. Thailand had the capacity to replace Myanmar gas in 2021 by increasing LNG imports in the medium term. An "Assessment of Readiness for Fossil Fuel Disruption" by the Economic Research Institute for ASEAN and East Asia (ERIA), an international organization created by the 16 East Asia Summit member countries, concluded that Thailand was highly resilient to energy shocks. In practice, in the short term (i.e. immediately following any disruption of Thailand's gas imports and prior to securing additional LNG):

- Most Thai power plants that use gas are equipped to use a backup fuel (fuel oil or diesel) and are required to maintain three to five days' supply.
- Fuel switching and LNG stores could provide a continuation of electricity generation during the time required to increase LNG imports, which would likely take a few weeks to a month.
- If more time was needed to replace a disrupted gas supply, other options exist. They include using a higher proportion of domestic gas for power generation by reducing the volume of domestic gas refined and sold for other uses. Notably, a reduction in Myanmar gas exports as well as a reduction in the refining of Thai domestic gas would reduce PTTEP profits as it operates in both these sectors.

The resilience of the Thai energy sector and findings of this 2018 assessment are set out in more detail in our 2021 analysis. This analysis considered grid capacity and gas distribution networks and was reassessed in January 2023 in collaboration with a Thai energy sector expert.

10. See: <https://www.upstreamonline.com/lng/thailand-boosts-lng-import-capacity/2-1-1245635>. Nong Fab added 1,001 MMSCFD of import capacity to the existing capacity of 1,534 MMSCFD.

11. Thailand's imports from Myanmar average about 700 MMSCFD. Source: [https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders\[publishUp\]=publishUp&issearch=1](https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders[publishUp]=publishUp&issearch=1).

12. Thailand's imports from Myanmar average about 700 MMSCFD. Thailand's highest monthly LNG import rate in 2022 was 1,349 MMSCFD (in May 2022) while the first 10 months of 2022 averaged 971 MMSCFD. In contrast, Myanmar gas imports have been steady at 692 MMSCFD per month. Source: [https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders\[publishUp\]=publishUp&issearch=1](https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders[publishUp]=publishUp&issearch=1). This means Thailand has more than enough LNG import capacity to replace Myanmar gas imports by volume. This assumes that Eppo volume figures are adjusted to account for Myanmar gas having a much lower heating value than LNG imports. If this is not the case, Thailand would be even more secure (i.e. because less LNG, by volume, would have to be imported to replace Myanmar gas).

13. See: <https://www.nationthailand.com/business/40017973>

14. Source: [https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders\[publishUp\]=publishUp&issearch=1](https://www.eppo.go.th/index.php/th/energy-information/static-energy/static-gas?orders[publishUp]=publishUp&issearch=1)

15. Source: <https://www.eppo.go.th/index.php/th/component/k2/item/18364-nepc-prayut22-06-65>

16. See: <https://www.spacebar.th/en/business/electric-cost-at-the-end-of-22-will-increase-to-5-baht-at-unit>

17. See: <https://www.reuters.com/markets/europe/germany-energy-price-shock-triggers-fears-insolvency-wave-2022-09-20/>

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