

Re: RE: RE: Myanmar



POSCO ESG Group  
To Mark Farmaner

You forwarded this message on 18/02/2022 09:52.



Fri 18/02/2022 09:24

Dear Mark Farmaner

We apologize for late response due to long holidays and governance changes. Please refer to below our comments reply to your request.

The Shwe Project was initiated in the year 2000 pursuant to the Production Sharing Contract(PSC) concluded between the state-owned Myanmar Oil & Gas Enterprise(MOGE) under the Ministry of Electricity & Energy(MOEE) and POSCO International. The revenue generated from the project is distributed between the Myanmar government and the project consortium partners, and the government's portion is paid to the bank account of the Myanmar Foreign Trade Bank(MFTB) run under the Ministry of Planning and Finance.

POSCO International bears the responsibility to fulfill its obligations under the PSC as an operator of the project in accordance with the contract signed with MOGE pertaining to the State-Owned Economic Enterprise Law of Myanmar, and is faithfully assuming such responsibilities to date. The Shwe Project is jointly implemented by a consortium of global partners, involves a complex series of contracts amongst investors, Project and pipeline operators, gas purchasers. Therefore any breach of contract may give rise to huge contractual liability issues. In particular, we are highly concerned about our exploration and production rights to be at risk if we are in breach of certain responsibilities under the project contracts. In addition, if the Shwe Project comes to a halt, this will suspend fuel supply to gas-fired power plants in Myanmar to further reduce Myanmar's power generation and result in economic slowdown through fiscal contraction and loss of jobs, taking a substantial toll on the everyday life of people in Myanmar. Also, our withdrawal from the Shwe Project, be it a voluntary decision or forceful termination resulting from a breach of contract, will not achieve its intended purpose in diminishing returns to the Myanmar government, rather this may result in a windfall to MOGE as they would gain control of the assets, the entire revenue stream and the right to operatorship.

Given the severity of the state of emergency in Myanmar, POSCO International is fully aware of international concerns and hopes more than anyone that the present situation in Myanmar would be resolved peacefully and promptly. Practical measures are being taken in order to mitigate the situation such as closing our trading subsidiary, delaying land lease payment of Lotte Hotel Yangon, carrying out emergency refugee relief activities and so on.

Sincerely,  
POSCO ESG Group