

**BUSINESS** | marine sovereignty

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**PetroVietnam eyes Itochu stake in \$80m ethanol plant**

*VietNamNet Bridge - PV Oil - the wholly owned subsidiary of the state-run PetroVietnam - recently said it was considering negotiating with Itochu and Licogi 16 to buy out a 71 per cent stake in the joint venture to build an \$80 million ethanol factory in the southern province of Binh Phuoc.*



*PetroVietnam is looking to buy out Itochu and Licogi 16 but admitted sourcing capital for the deal was a problem.*

However, PV Oil also added that it has not yet made a final decision because it would need more time to arrange capital for the buy-out plan.

PetroVietnam previously rejected this offer from Itochu even it has the refusal to buy before any outside partners.

In a related move, PetroVietnam also recently asked the Vietnamese government and relevant authorities for approving its proposal to permit Binh Son Refining and PetroChemical to buy out PV Oil's entire stake in Central Biofuels JSC. With the capital from this restructuring, PV Oil would be able to mobilise enough capital to resolve its difficulties with its ethanol projects in Phu Tho and Binh Phuoc provinces.

According to Phung Dinh Thuc, chairman of PetroVietnam, the framework requiring the use of ethanol in parts of Vietnam and eventually nationwide is drawing near and will be enforced by the end of 2014. This means the ethanol business has the very real potential of taking off and Itochu should hold its ground.

Itochu's representative in Hanoi refused to comment on the potential move.

The Binh Phuoc Ethanol factory was put into commercial operations at the beginning of 2013 with the capacity of 80,000 tonnes of ethanol per year.

However, the factory suspended its operations in March 2013 because there was little demand for ethanol in the domestic market and export was not viable due to low competitiveness and a high price. Experts predicted that Binh Phuoc would make losses of VND270 billion (\$12.8 million) per year while suspended.

According to a government decision, ethanol gasoline will be used in six cities in Vietnam by December 2014 and implemented nationwide in 2015.

The Binh Phuoc factory was built by the Orient Bio Fuels Company, a joint venture between Itochu (49 per cent), PV Oil (29 per cent) and Licogi 16 (22 per cent).

Itochu is the first and only foreign partner so far involved in building ethanol factories in Vietnam. The company has similar factories in Brazil, Thailand and the Philippines.

Itochu's participation in the joint venture is expected to help the Vietnamese partners improve their capabilities in technology and corporate governance.

PetroVietnam's three ethanol factories in Binh Phuoc, Quang Ngai and Phu Tho provinces have the combined capacity of 240,000 tonnes of ethanol per year.

According to the Ministry of Industry and Trade, Vietnam now has seven finished ethanol factories with

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the total capacity of 400,000 tonnes of ethanol per year.

Source: VIR

Tags: [PetroVietnam](#), [ethanol plant](#), [Bio Fuels](#).


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