The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

TNK-BP Serious About Vietnam

By Derek Andersen

September 29, 2010



TNK-BP intensified its involvement in Vietnam on Wednesday by signing a contract for oil deliveries and discussing deals on a Vietnamese oil refinery and BP natural gas assets there.

“This long-term contract for oil deliveries to Vietnam marks a key step in securing TNK-BP’s footprint in the Asia-Pacific over the long haul,” said Maxim Barsky, deputy chairman of TNK-BP’s management board.

Under a contract signed last week between TNK-BP and the state-run Vietnam Oil and Gas Group, or PetroVietnam, 100,000 metric tons of oil will be delivered via the East Siberia-Pacific Ocean pipeline to Vietnam in November.

Wednesday's contract extends that cooperation for a year. The volume of oil shipped will be decided on a monthly basis.

Bloomberg, citing TNK-BP senior vice president Jonathan Kollek, reported that the price of the oil would be linked to Dubai marker rates.

It was also announced Wednesday that PetroVietnam is offering TNK-BP a 50 percent share in its Dung Quat oil refinery in exchange for access to Russian oil fields. PetroVietnam already produces oil in Russia in a joint venture with Zarubezhneft.

Dung Quat was built at a cost of $3.5 billion and has a capacity of 6 million tons. That capacity would be raised to 10 million tons, Barsky said. The companies are set to form a joint refining and production venture next month.

TNK-BP hopes to buy BP gas assets in Vietnam. The British company is selling assets worth $30 billion worldwide as a recovery measure after the disaster at its facility in the Gulf of Mexico. A 35 percent share in Block 6.1 in the Nam Con Son Basin off the southeast coast of Vietnam and other assets, for a total value of about $966 million, are on the block.

"We have an offer from BP," Barsky stated Wednesday. A decision on it is likely to be made at the TNK-BP board meeting Thursday. BP co-owns TNK-BP equally with a consortium of three Russian billionaires.

Other companies have expressed interest in BP's Vietnam holdings as well.

"BP is looking for the best price. The return on the investment could be attractive," noted independent industry analyst Chirvani Abdoullaev. The Vietnamese market for natural gas is developing rapidly and is still largely dependent on imports.

Abdoullaev took a favorable view of TNK-BP's plans. "If you find it difficult to grow domestically and have capital to invest, why not Vietnam?" he said, adding that its offshore reserves present "interesting opportunities" and it is fairly easy for Russian companies to establish themselves there because of the historical ties between the two countries.

Original url: https://www.themoscowtimes.com/2010/09/29/tnk-bp-serious-about-vietnam-a1816