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Falling Ruble Threatens Fiat and Renault LCV Project

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Fiat and Renault may pull out of a car assembly deal with the Russian ZIL.

Fiat and Renault may pull out of a car assembly deal with the Russian near century-old ZIL plant as a falling ruble makes the project unprofitable, Vedomosti reported Tuesday.

Previously Fiat and Renault were planning to use ZIL's facilities to assemble 50,000 light commercial vehicles, or LCVs, per year, 25,000 of each brand, but the negotiations have reached a deadlock, according to Vedomosti.

In August 2013, the two major European car producers signed a preliminary agreement with ZIL stating that the latter would negotiate co-production of LCVs exclusively with the two, which expired in March, said Igor Kulgan, CEO of the project operator MosAvtoZIL, a subsidiary of ZIL.

The Russian side expected that Renault and Fiat would soon declare their official participation

in the project, but they sent a request to extend the agreement for another three months and continue negotiations. But ZIL did not agree to an extension and started looking for new partners, Kulgan said

"The negotiations with Renault are put on hold, but talks with Fiat are still continuing, however, they will not be exclusive and will involve other firms," he said.

"The situation is different for Fiat and Renault at the moment," said Sergei Udalov, executive director of think tank Avtostat. For Fiat the cooperation with ZIL has more prospects, as the sales of the company's cars in Russia are rising, while with Renault it may be less lucrative as its sales in Russia are not that big. Despite this, both companies may return to the deal, he said.

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