



# Vietnam's Downstream Petroleum Market

January 2009

**“The downstream petroleum market in Vietnam is enjoying sustained rapid growth of demand, backed by one of the world’s most buoyant economies and a high degree of political stability.”**

- We have developed a signpost monitoring framework which will enable monitoring economic & regulatory developments in Vietnam and assist in deciding when to conduct detailed market investigations / lobbying.
- We have also analysed the key government / regulatory stakeholders in Vietnam to give an understanding of which agencies are likely to support versus oppose reform of the downstream market.

## **ASIA NOW PTE LTD**

3 Shenton Way  
#18-05 Shenton House  
Singapore 068805  
Office: (65) 6322 8557  
Web: [www.asia-now.com](http://www.asia-now.com)

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## Vietnam Economic Overview

The size of Vietnam's economy is small compared to its ASEAN peers. However, Vietnam is catching up with GDP growth of around 7-8%, significantly in excess of its ASEAN peers (around 3-5%)

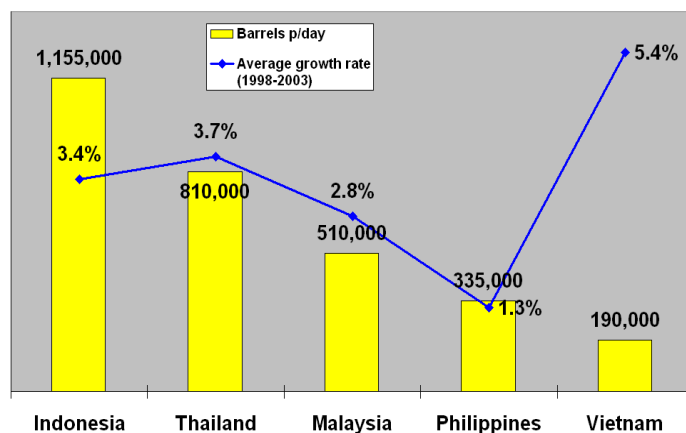
Vietnam is a relatively small consumer of petroleum products compared to its ASEAN peers, but has significantly higher growth rates

## The Petroleum Industry

Commercial and industrial sectors are the major consumer of Vietnam's fuel. Key commercial sectors are small-medium fishing vessels and trucks, lorries, & buses – primarily using diesel.

Motorbike users are the dominant retail sub-segment – currently, there are approximately 16 million registered motorbikes in Vietnam. Growth in this sector is very high, averaging 10-15% over last 2-3 years. Auto manufacturers are bullish in the Vietnam market, with a record of 600,000 – 700,000 autos in Vietnam. But motorbike and especially auto growth rates are likely to be constrained at times in the future by Government policies designated to limit traffic congestion (e.g. increased auto usage taxes, limits of one motorbike per owner).

Exhibit1:2003 Fuel consumption and average growth rates



Note: (1) Fuel consumption data from Vietnam General Customs Dept, from PFC for other ASEAN countries. Growth rates based on World Bank energy consumption data.

## Petroleum Industry Players

All wholesalers / distributors and most retailers are State Owned Enterprises – combined with government controls on petrol pricing, this means there is minimal competition in the domestic market.

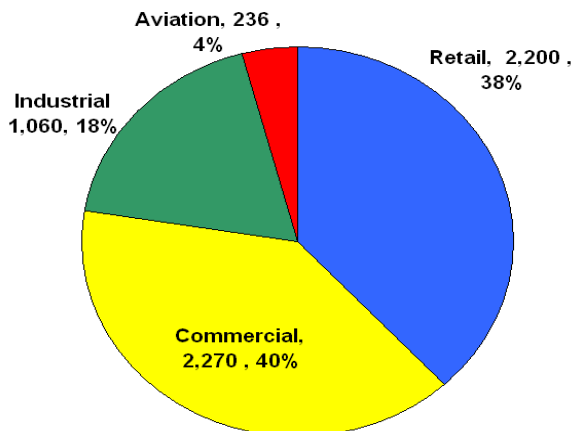
Petrolimex is the key national wholesale and retail supplier of petroleum products with a dominant market share (54%). Petec is the second largest supplier with a market share of 13%. Petec is the only other supplier with a national presence, albeit limited. Vinapco is the main supplier of aviation fuel to the national carrier, Vietnam Airlines.

## Regulations on Petroleum Industry

Current laws and regulations do not specifically exclude foreign companies from obtaining a license to import, distribute or retail goods, including refined petroleum products.

However, there are no legal or regulatory provisions that specifically enable the entry of foreign companies into these markets. Instead, licensing for foreign involvement in import and distribution has been on a discretionary case-by-case basis subject to prime minister's approval. Few such projects have been approved. (*Summary of the key laws and regulation shown in Table 1.*)

Exhibit 2: 2004 Market value by segment



Notes: (1) Fuel consumption data from Vietnam General Customs Dept. Value based on volume x current end user prices as regulated by Govt. (2) LPG consumption equivalent to approx 11,400 bpd, worth approx \$600M.

# Scenarios and Signpost Monitoring Framework

## 1. Signpost Monitoring Framework

### 1.1. Signpost Monitoring Approach

**Step 1.** Compile a Vietnam Market Update (every 3 or 6 months)

Vietnam Market Update to cover the following topics:

- |                                     |                       |
|-------------------------------------|-----------------------|
| 1. WTO Outcomes                     | } once per quarter    |
| 2. Oil & Gas Industry Developments  |                       |
| 3. Policy & Regulatory Developments | } once every 6 months |
| 4. General Business Developments    |                       |
| 5. Economic News                    |                       |
| 6. Political Developments           |                       |

**Step 2.** Review the Market Update and look for signposts, especially those listed in the Signpost Monitoring Framework.

**Step 3.** Check signposts against 'Likely Scenarios' and 'Signpost Importance' to provide frame of reference

**Highway Marker:** Major signpost which means a key event is happening and which indicates significant progress towards the likely scenario (or makes this scenario more likely).

**Street Sign:** Minor signpost which means heading in the direction of the likely scenario but not necessarily making significant progress (unless see other signposts pointing in the same direction).

**Step 4.** Refer to 'Suggested Actions / Next Steps' for hints & ideas on follow-up actions – Decide whether additional action or follow-up is require

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**Asia Now Pte Ltd**  
The Lean Growth Company

**SINGAPORE**

3 Shenton Way  
#18-05 Shenton House  
Singapore 068805

Phone: +65 6322 8557  
Facsimile: +65 6550 9898  
Email: [info@asia-now.com](mailto:info@asia-now.com)  
Website: [www.asia-now.com](http://www.asia-now.com)

**HANOI**

No. 60 Ngo 6 Le Thang Tong  
Hanoi, Vietnam

Phone: +62 21 5799 8055  
Facsimile: +62 21 5799 8080

**JAKARTA**

39/F Wisma GKBI  
Jl. Jend Sudirman No. 28  
Jakarta 10210

Phone: +62 21 5799 8055  
Facsimile: +62 21 5799 8080  
E-mail: [jakarta@asia-now.com](mailto:jakarta@asia-now.com)

**SHANGHAI**

Suite 10E03, Shanghai Mart,  
2299 Yan An Road  
Shanghai 200330, P.R. China

Phone: +86 21 2890 3260  
Email: [shanghai@asia-now.com](mailto:shanghai@asia-now.com)



**“At the age of six I wanted to be a cook.  
At seven I wanted to be Napoleon.**

**And my ambition has been  
growing steadily ever since.”**

~ Salvador Dali

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