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INDUSTRY NEWS UPDATE

Malaysia Janakuasa Secures \$1.5 Billion Deal for 1,200-MW Coal-Fired Power Project in Vietnam

As the first and only Malaysian company to date to be awarded a power project in Vietnam, Teknik Janakuasa Sdn Bhd (Kuala Lumpur, Malaysia) secured a contract valued at \$1.5 billion to develop a coal-fired power plant with a generation capacity of 1,200-MW in the Tra Vinh province of South Vietnam. Construction of the Duyen Hai 2 project is slated to begin in 2011 and completed in 2015. The firm will enter into a 30-year concession agreement with the Electricity Regulatory Authority of Vietnam.

Janakuasa awarded a \$1.8 million consulting service contract to Power Engineering Consulting Joint Stock Company 2 (Ho Chi Minh, Vietnam) to undertake all pre-investment activities for the project. Power Engineering will be responsible for conducting the feasibility study, preparing documentation required for the pre-investment stage of the project, procuring an investment license from the government, and preparing investment documents to support the licensing process.

Janakuasa will undertake the entire ownership, construction and operation of the power plant. This move marks a deviation from earlier trends in Vietnam where international firms were not permitted to own entities in Vietnam unless through business cooperation agreements with local firms or joint ventures with state enterprises. However, a rapid surge in power demand in the country has prompted Vietnam to adopt forward market economic policies allowing more leeway to international firms interested in the nation's power sector. As a token of appreciation to the Vietnamese government for awarding the project, Janakuasa plans to donate \$1 million every year toward an education fund that will be utilized to develop schools in rural areas in Vietnam.

For the Duyen Hai 2 power project, Janakuasa will draw upon its experience as a majority stakeholder in operating Teknologi Tenaga Perlis Consortium Sdn Bhd (Selangor, Malaysia) in Perlis, Malaysia, since 2003. The 650-MW gas-fired power plant supplies electricity to Malaysia's power giant Tenaga Nasional Bhd (Kuala Lumpur, Malaysia). Alstom Asia Pacific Sdn Bhd (Kuala Lumpur, Malaysia), the local entity of Alstom SA (Levallois-Perret, France), was the contractor for the power project and had completed the project two months ahead of schedule.

The Duyen Hai 2 project is part of three coal-fired power projects to be developed at the Duyen Hai power complex at a total investment of \$5 billion and an aggregate power generation capacity of 4,400-MW spread over 641 hectares. State-owned utility Electricite de Vietnam (EVN) (Hanoi, Vietnam) will develop the Duyen Hai 1 power plant. The contract for the Duyen Hai 3 power project is yet to be awarded.

In another development in December 2008, The AES Corporation (Arlington, Virginia) is gearing up to develop a 1,200-MW coal-fired power plant in Mong Duong in northern Vietnam's Quang Ninh province in a joint venture with state-owned coal producer Vinacomin (Quang Ninh, Vietnam). The firm is likely to receive an investment license from the government for the proposed \$1.2 billion power project in the first quarter of 2009. AES will invest up to 90 percent of the project cost while Vinacomin would contribute the remaining 10 percent of the requisite funds. Construction of the power plant is scheduled to commence in July this year.

The Duyen Hai 2 is among several power projects listed in the Sixth Power Facility Development Master Plan for the 2006-15 period by the government to address the sudden surge in power demand in the Indo-Chinese nation. Demand for power in Vietnam is estimated to grow between 17 and 22 percent from 2006 to 2015 because of the rapid growth of private businesses and an increase in disposable incomes. However, EVN estimates that power generation in the country is likely to grow by only 15 percent during this time, prompting the government to scout for international investors in the power sector by adopting priority policies.

The master plan, approved in July 2007, lists power plants that are to be commissioned during the period under build-operate-own or build-operate-transfer modes of development. Some of the significant prospects included in the list are the 1,200-MW Nghi Son II thermal power plant in Than Hoa and the 1,200-



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MW O Mon II combined-cycle power plant scheduled for commissioning by 2012-13. The 2,400-MW Son My (1 to 4) thermal power plants in Binh Thuan are scheduled to come into operation during 2012-15. The 750-MW Southern combined-cycle power plant is slated for commissioning by 2014 and the 4,400-MW Kien Giang (1 to 3) thermal power plants are scheduled to go on stream between 2013 and 2018.

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