

Media Monitoring

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Headline: **UPDATE 2-Chemoil in stake sale talks, Glencore tipped - sources**

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- * Glencore frontrunner to buy 51 pct stake valued at \$240 mln
- * Family advised by UBS, stake sale means offer for firm
- * **Chemoil** shares up 20 pct on news (Adds Itochu comment, details, link)

By Luke Pachymuthu and Yaw Yan Chong

DUBAI/SINGAPORE, June 24 (Reuters) - The family of **Chemoil** Energy founder Robert Chandran is in talks to sell its 51 percent interest in the marine fuel supplier, with trading giant Glencore the frontrunner for a stake worth \$240 million, sources familiar with the deal said on Wednesday.

Chemoil's Singapore-listed shares rose 20 percent on news of the talks, prompting a regulatory query from the exchange.

Glencore International AG, the world's biggest commodity trader, is still in negotiations after a bidding process began in February when it vied with Europe-based oil trader Vitol and Wall Street bank Morgan Stanley , one source who was involved in the process told Reuters.

Buying **Chemoil** would give Glencore, the second-largest independent oil trader, a valuable marine fuels business in the United States and a wealth of fuel storage assets in Singapore Asia and the Middle East, strengthening its physical trading playbook at a time when global storage tanks are at a premium.

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Two sources familiar with the talks said Vitol was no longer in the running, while three industry sources said negotiations were now focused on concluding a deal with Glencore.

The value of the bids was not disclosed.

"It is highly inappropriate for us to comment or speculate on any of our shareholders' activities," **Chemoil** spokeswoman Karen Escobar told Reuters. "We have nothing material to disclose at this time."

Morgan Stanley and Glencore declined to comment. Vitol was not available to comment.

The Chandran family is being advised by UBS , two other sources familiar with the deal told Reuters.

Under Singapore law, anyone buying a 30 percent stake in a company must make an offer for the rest.

OFFER ON FOR A YEAR

The family has been looking to sell for at least a year, after founding chairman Chandran was killed in a helicopter crash in Indonesia in January 2008.

Japan's Itochu, through Itochu Corp and Itochu Petroleum, holds a combined 37.5 percent stake. The remaining 11.69 percent of **Chemoil** is in public hands.

When asked about any changes in stake ownership, an Itochu spokesman declined to comment.

Itochu Petroleum, along with **Chemoil** and Brazil's Petrobras, now occupies the Helios terminal in Singapore, having taken up tankage for its fuel oil trading business a month ago.

"There is synergy in the four markets between **Chemoil** and the bidders, especially Glencore," said another source close to the companies, adding **Chemoil's** assets in Singapore, India and the Middle East would boost the buyer's trading activities and profile there.

Glencore, a major player in the East Asia fuel oil market, has leased three floating storage facilities with a combined capacity of more than 800,000 cubic metres offshore Malaysia.

Having storage capabilities is a major advantage in oil trading as it allows traders to store their cargoes in a bear market or impact prices in trading plays.

Most major players in the Asian market lease rather than own commercial storage facilities.

"It would be a major advantage if a trader owns the terminal and have full control and access over it, allowing a lot of flexibility to move vessels and cargoes," a veteran fuel oil trader said. "But of course, the player has to be of a certain size in terms of volume, like Glencore."

Glencore, which may seek a public listing for more financial leeway, but not for a few years, does not have a presence in the Middle East marine fuels market and trades only refined fuel such as diesel, gasoline and naphtha, a petrochemical feedstock.

"It would make sense that Glencore wants to be a major presence in the growing Fujairah market," another trader said. "In the past year or so, the market has seen new entrants including Vitol and **Chemoil**."

Glencore moves large volumes of fuel oil in the United States and **Chemoil's** position as the biggest marine fuels supplier in the ports of Los Angeles and New York would boost its activities, now focused in Latin America and the Panama Canal.

Vitol has 800,000 cu m of leased landed storage facilities in Singapore and plans to build its own 750,000 cu m terminal for crude and oil products in neighbouring Malaysia by 2011.

It also has 500,000 cu m of fuel oil storage in Fujairah with its purchase of an 82,000 barrels per day (bpd) refinery that was restarted in December after being mothballed for four years.

Morgan Stanley has no presence in Asia's physical fuel oil market, having exited last year after leasing a floating storage facility and trading from it for one year.

