

Ocean Intelligence

Chemoil, Glencore renew 'preferential' deal

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Singapore-listed Chemoil Energy Ltd has agreed to "automatically" renew the terms of a deal with Glencore International AG which includes preference given to Chemoil to supply bunker fuel to Glencore's shipping subsidiary ST Shipping and Transport Pte. Ltd.

The global marine fuel supplier said Tuesday it has entered into a supplemental agreement with the global commodity trader to "renew automatically" the terms of the sales, purchases and services (SPS) agreement "on the date of each Chemoil's SPS extraordinary general meeting" on a yearly basis.

It also agreed to widen the scope of the agreement to include the purchase of any petroleum products, excluding bunker fuel or fuel oil, by Chemoil and its subsidiaries from Glencore and subsidiaries.

The original agreement relates only to the sale of these products by Chemoil to Glencore and its subsidiaries.

The supplemental agreement, however, is conditional on shareholders' approval, it added.

Other terms in the SPS agreement, which was first entered in February last year, were to remain the same.

"The SPS Agreement has, since the commencement of the term, brought about certain synergies between the Chemoil Group and the Glencore Group which have benefited Chemoil's business strategy," said Chemoil in a filing on Tuesday.

"Chemoil believes that the further synergies that can be derived from subsequent renewals of the term of the SPS Agreement will provide support for the execution of Chemoil's three-pronged strategy that forms the core fundamentals of its business, offering market expansion, supply chain integration, and development of Chemoil's product portfolio."

Apart from granting Chemoil preference to supply bunker fuel to ST Shipping, the SPS agreement also includes preferences given to ST Shipping to supply shipping and transport services "as and when" there is a need for Chemoil and its subsidiaries to charter vessels.

It also grants Glencore and its subsidiaries an opportunity to supply Chemoil on a "first look basis" bunker fuel and fuel oil requirements at Chemoil's facilities in Singapore, Fujairah, Rotterdam, the US East Coast, the US Gulf Coast and Panama but not those located in Russia, India or the Philippines.

In addition, Glencore is to assist Chemoil with price risk management for its global bunker fuel business and share relevant "market intelligence".

Chemoil and Glencore are also to "negotiate in good faith" terms covering terminal leases when the occasion arises.

Glencore in mid-December 2009 acquired 656.75 million shares in Chemoil, or a 50.81% stake in the company, for \$233.3 million from the Chandran family trust.

The company is believed to now hold about 51.54% in Chemoil while Itochu Group holds 37.5% and the remaining 10.96% of the company's shares is publicly traded on the Singapore Exchange.