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# Oil & Gas

## Repsol officially exits Vietnam upstream

### Repsol successfully transfers ownership in three exploratory blocks to PVN

— Repsol (REP SM) of Spain signed an agreement to transfer its Production Sharing Contract (PSC) for ownership in three exploratory blocks to Vietnam Oil & Gas Group (PetroVietnam). Repsol will give up its 52% stake in *Block 07/03*, including the disputed *Red Emperor* mega project and a 40% stake in *Block 135-136/03*. Commercial drilling on these projects has been suspended for the past two years despite Repsol paying USD300 million for the E&P infrastructure. Implications from this agreement include: 1) resolution of the 2018's outstanding *Red Emperor* incident, which should allow Repsol to restart investments into Vietnam (albeit depressed oil prices may initially see slow progress); and 2) PetroVietnam can now invite other companies to restore E&P activities on these blocks, especially the *Red Emperor* mega project, despite PetroVietnam not as yet declaring any specific plans for any of these fields.

### But *Red Emperor* unlikely to come online soon

— PV Technical Services (PVS) is likely to benefit most from a potential restart of the Red Emperor field after originally being selected as the main contractor for the wellhead Engineering Procurement & Construction (EPC) valued at USD380 million over two to three years. That said, drilling is unlikely to resume in the foreseeable future despite the project now coming under the complete control of PetroVietnam due its current focus on other mega projects like *Blue Whale* and *Block B*. Proven reserves at the *Red Emperor* field located in the *Nam Con Son* basin and within the *Block 07/03* Production Sharing Contract are 45 million barrels of crude oil, 235 billion cubic metres of natural gas and 2.4 million barrels of condensate. PetroVietnam halted production twice within a year of Repsol starting commercial drilling in July 2017 and March 2018. PetroVietnam officially cancelled the project in September 2019 after paying an undisclosed amount to Repsol for breach of contract.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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