

## Overview of Vietnam's Petroleum sector and update on the New legal framework – 7th draft of the Petroleum Business Decree

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- We believe that Vietnam's petroleum sector is entering a major restructuring phase, focusing on shifting from a regulated pricing system to a controlled market-based mechanism. From the 3rd to the 7th draft of the new Petroleum Business Decree, the Government has gradually granted enterprises greater pricing autonomy, standardized cost components, and tightened requirements for major distributors. These changes aim to build a more transparent, competitive, and efficient market.
- Compared to the current decree, the 7th draft introduces two key improvements:
  - Pricing mechanism: The Ministry of Industry and Trade (MoIT) proposes that major distributors and wholesalers to set their own costs and decide wholesale and retail prices, reporting them only to the relevant authorities. The Government will intervene only in cases of abnormal market fluctuations, in line with the 2023 Price Law. Unlike the current decree, which fixes profit margins at VND300/liter and does not regulate input costs, the 7th draft allows companies to determine actual costs and profits. The Government will only publish a reference operating cost as a guideline, to be adjusted annually based on CPI and reviewed periodically.
  - Wholesale licensing conditions: The 7th draft also tightens licensing conditions, requiring each major distributor to own at least one dedicated storage terminal and a minimum of 40 directly operated retail stations. This will raise the standard for financial capacity and infrastructure, strengthen supply chains, and increase barriers to entry. In addition, any sale of shares to foreign investors must be approved by the MoIT to ensure proper oversight of foreign capital and protect the domestic market.
- Overall, we expect the gradual transition to market-based pricing to drive sustainable earnings growth for leading listed players such as PLX, OIL, BSR, and GAS, while accelerating industry restructuring, filtering out weaker companies, and improving overall efficiency in the sector.

### 1. Role and structure of Vietnam's petroleum sector

**Fuel distribution is the downstream segment connecting production and end consumers.** It serves as the downstream part of Vietnam's oil & gas value chain, directly linking production and imports with end consumers. Under current regulations, there are three main types of participants in this segment: (1) Key petroleum traders (KPTs), (2) Petroleum distributors (PDs), and (3) Retail petroleum traders (RPTs).

Currently, there are 33 key traders and 258 distributors nationwide, reflecting growing competition but with a high concentration at the top. The retail market consists of approximately 17,000 outlets, of which **Petrolimex (PLX) holds around 46% market share**, equivalent to about 5,500 stations (including directly owned and affiliated dealers). This highlights PLX's dominant position in the supply chain, driven by both scale and its nationwide network coverage.

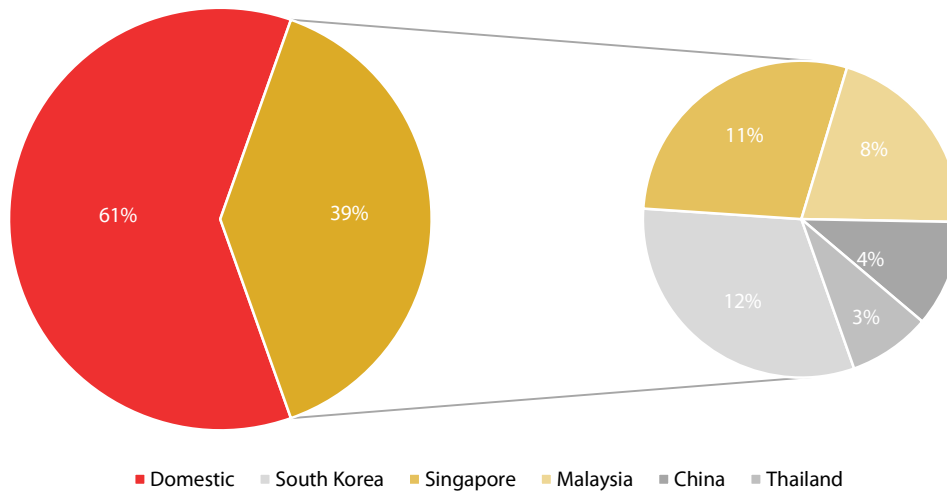
### 2. Supply sources and import market characteristics

**Domestic supply is concentrated in two main refineries, with imports filling the gap.** Domestic fuel demand is primarily met by Binh Son Refinery (BSR) and Nghi Son Refinery (NSRP), supplying roughly 61% of the country's demand in 2024. The remainder is imported, mainly from South Korea, Singapore, and Malaysia - countries under free trade agreements (ATIGA, VKFTA) and thus benefiting from 0% import tariffs.

**Import sources have trade-offs in pricing and flexibility.** Fuel from South Korea enjoys lower costs due to preferential tariffs but is usually sold in large lots, which can be challenging for smaller traders. In contrast, Singapore-sourced fuel is more expensive but offers flexibility in shipment volume and timing, allowing key distributors to better manage short-term supply needs.

**Large distributors like PLX and PVOIL benefit from scale and logistics capabilities.** We expect PLX and other major traders such as PVOIL to enjoy clear advantages in imports due to their scale and logistics capabilities, which allow them to optimize transportation and storage costs while enhancing their ability to respond promptly to market fluctuations.

**Figure 1: Share of imported fuel by country in 2024 (%)**



Source: GSO, RongViet Securities

### 3. Policy updates and the revision process of the Petroleum Business Decree: from administrative control to a controlled market mechanism

We observe that recent policy improvements in Vietnam’s petroleum sector clearly reflect the Government’s effort to transition from administrative price controls to a market-oriented mechanism.

From the 3rd draft to the 6th and 7th drafts of the Petroleum Business Decree, the Ministry of Industry and Trade (MoIT) has progressively expanded pricing autonomy for enterprises, while also standardizing operational requirements to enhance transparency and efficiency across the entire value chain.

#### ❖ The 3rd draft decree: Setting the foundation for centralized price management

- In the 3rd draft decree, the MoIT was given full authority to determine and announce the components of regulated fuel prices, instead of sharing this responsibility with the Ministry of Finance. This change helps simplify the process, reduce overlapping management, and ensure that regulated prices reflect the actual costs for enterprises.
- Price formula:

$$\text{Maximum retail price} = \text{Input cost} + \text{Standard operating cost} + \text{Standard profit} + \text{VAT}$$

- In addition, Adjusting the standard operating cost based on CPI and regularly collecting cost data from key traders provides a basis for a more flexible pricing system. However, moving the Fuel Price Stabilization Fund to the State budget raises concerns about short-term flexibility, especially when prices change sharply.

#### ❖ The 6th draft decree: Expanding pricing autonomy – a strong move toward a market-based mechanism

- In the 6th draft decree, the MoIT further expanded pricing autonomy for enterprises. Key and wholesale traders can now set their own costs, publish wholesale and retail prices, and only report them to authorities. This is an important step toward a market-based mechanism, with the Government intervening only in emergencies or unusual market fluctuations, in line with the 2023 Price Law.

- Price formula:

$$\text{Retail price} = \text{Input cost} + \text{Operating cost} + \text{Profit} + \text{VAT}$$

- The 6th draft decree also allows distributors to purchase fuel from each other - a major change from previous drafts. This increases flexibility in supply circulation and reduces complete dependence on key traders.
- Regarding reserves, key traders are required to maintain a minimum circulation stock equal to 20 days of supply. This ensures energy security and stable supply, especially in a volatile market.
- However, the requirement to publish prices every Thursday and the regular reporting mechanism still limit operational flexibility, particularly when global oil prices change rapidly.

❖ **The 7th draft decree: Standardizing the pricing mechanism and tightening key trader requirements**

- In the 7th draft decree, the management mechanism has been standardized and detailed to improve transparency and closely control capital flows, infrastructure, and the distribution system.
- **The biggest change** is that the Government now publishes a standard operating cost as the starting point for the price formula, which will be adjusted annually based on CPI and reviewed every three years. This helps align data across enterprises and reduces the risk of cost manipulation, but it also makes it harder for key traders to reflect actual short-term costs flexibly.
- Price formula:
 

$$\text{Retail price} = \text{Purchase cost} + \text{Input cost} + \text{Standard operating cost} + \text{Profit} + \text{Taxes (including import, special consumption, environmental, VAT, and other taxes)}$$
- **The 7th draft decree also tightens key trader requirements:** each enterprise must have at least one storage terminal linked to a dedicated port and 40 directly operated retail stations. This helps filter out weak companies and strengthens the supply chain, but it also raises industry entry barriers.
- Notably, the new rules require the MoIT to approve any share sale to foreign investors, reflecting a clear approach to control foreign capital flows and prevent indirect takeovers of the domestic fuel market.

We believe these changes clearly reflect the Government's long-term direction: establishing a controlled, competitive petroleum market in which large-scale enterprises with integrated systems, such as PLX and OIL, will serve as key pillars ensuring national energy security.

**Table 1: Comparison of existing Petroleum Business Decrees and the new draft revisions**

	Decree 95/2021	Decree 80/2023 (Current)	New decree (Drafts 3)	New decree (Drafts 6)	New decree (Drafts 7)
<b>Participants of petroleum value chain</b>	1. Major distributors 2. Wholesale distributors 3. General Dealers 4. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)	1. Major distributors 2. Wholesale distributors 3. Retail distributors (Dealers)
<b>Retail pricing mechanism</b>	<b>Base price</b>	<b>Base price</b>	<b>Ceiling price</b>	<b>Market price</b>	<b>Market price</b>
<b>Regulated transportation cost</b>	The MoF will review every six months	The MoF will review every three months	The MoF will review every three months	No regulation	No regulation
<b>Regulated operating cost</b>	The MoF will review every year	MoF will review every year. Current regulated operating cost under Dispatch No. 6808/BTCQLG dated July 1, 2024. + A95 gasoline's regulated cost: VND1,140/liter. + Diesel's regulated cost: VND1,170/liter.	Regulated operating cost adjusted annually based on the CPI. This will be reviewed every three years to ensure accuracy	No regulation	Regulated operating cost adjusted annually based on the CPI. This will be reviewed every three years to ensure accuracy
<b>Regulated profit</b>	VND300/liter	VND300/liter	VND300/liter	No regulation	No regulation
<b>Petrol price adjustment cycle</b>	10 days	7 days	+ 7 days (official adjustment every Thursday); + Unlimited reductions allowed between cycles.	+ 7 days (official adjustment every Thursday); + Unlimited reductions allowed between cycles.	+ No fixed price adjustment cycle + Price announcements are made immediately after any price change
<b>Inventory days</b>	30 days' supply	20 days' supply	20 days' supply	20 days' supply	20 days' supply

Source: Ministry of Industry and Trade, Ministry of Finance, RongViet Collected

**4. The process of market-based fuel pricing will be a key driver for leading listed companies to achieve sustainable profit growth**

We believe that leading listed enterprises will be the clear beneficiaries of the ongoing reforms.

- **Petrolimex (PLX):** With a market share of around 50% and the largest distribution network in the country, PLX is expected to benefit from the flexible price announcement mechanism, which should improve retail profit margins. The transfer of price management authority to the Ministry of Industry and Trade and the removal of the Fuel Price Stabilization Fund also reduces policy risk for PLX and increases transparency in its business results.
- **PVOil (OIL):** Expected to gain from expanded flexibility in transactions between distributors, allowing for better supply optimization. Its close ties with BSR help OIL secure a stable domestic supply, improving profit margins during oil price fluctuations.
- **Binh Son Refinery (BSR):** Benefits from a healthy crack spread and increasing domestic demand. The Dung Quat refinery expansion project will provide long-term growth and reduce Vietnam’s reliance on imported refined fuels.
- **PVGas (GAS):** Although not directly involved in petroleum retail, GAS plays a key role in stabilizing the national energy supply chain by providing gas to petrochemical plants and power generation facilities.

**We believe that the process of “market-based fuel pricing” will be a core driver enabling leading listed companies to achieve sustainable profit growth** while promoting market restructuring and filtering out smaller companies with weak financial capacity or inadequate infrastructure. This trend that seen in developed energy markets, where only companies with scale and integrated systems can maintain long-term competitive positions.

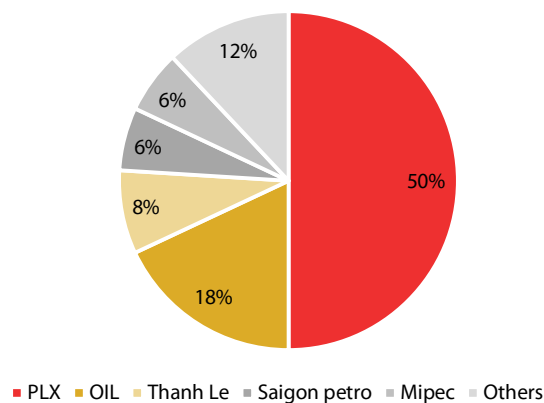
**Industry Outlook:** We are positive on the medium- and long-term prospects of the sector, based on three main factors:

- A progressively improved legal framework, reducing administrative distortions and promoting healthy competition.
- Continued growth in domestic fuel consumption, supported by GDP growth, production recovery, and logistics expansion.
- Investments to expand refining, storage, and transportation capacity by listed companies, especially PLX, OIL, and BSR.

In the long term, although the energy transition and the increasing share of electric vehicles may slow fuel demand growth, we expect this impact to be gradual and not significantly affect the business results of leading companies over the next 10–15 years.

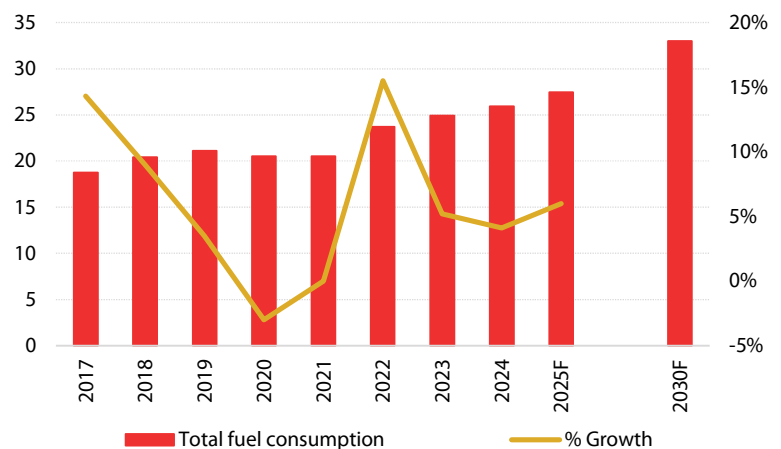
With strong infrastructure, solid financial capacity, and supportive policies, we expect leading listed companies - particularly PLX, OIL, BSR, and GAS - to continue playing a central role in ensuring national energy security while remaining attractive investment opportunities in the medium term.

**Figure 2: PLX & OIL account for nearly 70% of the national retail fuel market (2024)**



Source: PLX, OI, RongViet Collected

**Figure 3: National fuel consumption volume (tons)**



Source: RongViet Collected

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