



Chutchai Sumethchotimetha, CEO of Sakol Energy Plc.

SKE enters renewable sector with investment in CBG production

THE NATION

SAKOL ENERGY Public Company Limited (SKE), a provider of automotive gas services, is investing in the renewable energy business by entering into the CBG business, paving the way for the company to the lucrative market of large and medium-size plants with wastewater from production process to be used to produce biogas.

SKE will add value by converting this biogas into CBG, therefore, enhancing sustainable growth.

Chutchai Sumethchotimetha, chief executive officer said: "In 2018, the company expects its core business to grow from the increases in NGV volumes for the first time in several years.

The main factors are the continuous logistics expansion and the increasing volume of transport, resulting from the increase in investments in the industrial sector and the government's policy such as the establishment of Special Economic Zone in five provinces and six areas in support of EEC.

The investment in the EEC project helped increase imports and exports. As a result, the demand for NGV gas have risen sustainably.

In addition, the company also benefits directly from the temporary shutdown of PTT's gas compression station for one year. Therefore, the NGV compression volume at the company's nearby station have increased since the fourth quarter of 2017.

The company has invested in CBG Gas Production and Distribution. The company will hold 75 per cent shares in RE Biofuels Co Ltd (REB), which is the CBG Gas producer and distributor with a capacity of 3,000,000 kilograms per year. REB uses biogas from waste water from tapioca factories as a raw material for CBG production.

The whole process from tapioca starch factory, Biogas wells and CBG production and distribution are located in the same area for highest efficiency.

REB will distribute CBG gas to NGV trucks and has signed sales agreement of 7,000 kilograms per day with Fah Sang Wood Chips Co Ltd, representing more than 2.5 million kilograms per year. SKE is confident that the CBG business will deliver a continuous and stable income for SKE. The company will invest approximately Bt86 million in this project

with an expected payback period of about five years. In addition, the project also receives a Bt12 million from the Department of Alternative Energy Development and Efficiency, Ministry of Energy for the biomethane gas station (CBG) as well as tax benefits from The Board of Investment of Thailand (BOI).

It is expected that SKE will start recognising CBG revenues as early as the third quarter this year. The company expects the CBG gas business to have strong opportunities as there are more than 1,000 sugar factories and many large factories like tapioca factories with a lot of waste water from the production process. That is the main raw material for the production of biogas.

The biogas can be utilised in a variety of formats such as fuel for electricity generation, used to replace other more expensive fuels such as fuel oil, LPG to produce CBG as a replacement for NGV. SKE aims to invest in at least five biogas projects by 2020.

At the end of 2017, the company decided to invest in an NGV conventional station of ex-pipeline with investment of about Bt500 million. It will be opened in Nakhon Sawan province within the first quarter of 2019.

The conventional station of Ex-Pipe Line will generate higher returns than traditional retail NGV station. Both projects, CBG station and conventional ex-pipeline NGV station are two new businesses and two additional sources of income for SKE to support the steady income of SKE's core businesses, which provide gas compressed services to PTT Group under long-term contracts of more than 20 years. In addition, the company is looking for opportunities to invest in renewable energy to generate earnings and profit growth for the shareholders.

SKE provides compressing gas for distribution by trucks provided by PTT Group. Currently, the company has two private mother stations: Pathum Thani Private Mother Station and Saraburi Private Mother Station. The company has a combined capacity of 750 tonnes per day. The company enjoys solid and growing financial performance.

For the nine-month period ended September 30, 2017, its revenue was Bt247 million. Net profit was Bt56 million, lower than the previous year.