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Suez Environnement Forms China Water Services JV

May 11, Suez Environnement S.A. (Suez Environnement, SZE.FR), through its subsidiary Sino French Water, has formed a joint venture (JV) with Chongqing Water Group Co. Ltd. (Chongqing Water Group, 601158.SH) and Changshou Chemical Industrial Park Development and Construction Co. Ltd. to provide water services to an industrial park in the city of Chongqing.

The JV will provide industrial water services to companies based in the Chongqing Changshou Chemical Industrial Park, a strategic chemical and new energy base in western China.

Suez Environnement said the JV, in which it has invested RMB 250 million, has secured a 30-year contract, with a possible 20-year extension, to provide industrial water services to the park.

Sino French Water and Chongqing Water Group will each take a 45% stake in the JV, with the remaining 10% belonging to the third party.

The French firm hopes to tap into growing demand for water services in western China, which is the focus of new central government economic policies. German chemical giant BASF SE, (BASF, FWB:BAS, LSE:BFA), a long-term client of Suez Environnement, plans to establish a MDI facility at the park, but has yet to receive the green light from local authorities to go ahead.

“The JV, to some extent, is a strategic move to help BASF’s MDI project in the park,” said Cui Jian, Director of the State-owned Assets Supervision and Administration Commission of Chongqing Municipality.

“This is the second time for Suez Environment to team up with Chongqing Water Group to tap the domestic potential of industrial water services after 2002, when we formed a 60:40 JV,” said Charles Chaumin, Chief Executive Officer of Suez Environnement Asia.

Suez Environnement reinforced its cooperation with Chongqing Water Group in 2008 when it paid RMB 1.6 billion for a 15% stake in the Chinese firm with Hong Kong-based New World Development Co. Ltd. (0017.HK), Chaumin said.

Suez Environnement currently operates 25 projects in 19 Chinese regions, providing water and wastewater treatment services to 14 million people.

“Our engagement in the Chinese market is based on our long-term consideration of its potential,” the CEO said.

Suez Environnement's growing presence in China's water services market could pay off in the long run. Industry experts predict the central government could invest as much as \$150 billion in water services over the next decade.

Tags: 601158.SH, CCCIP