

TITULO: State Grid pays US\$3 billion for Spanish power assets in Chile				
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Emily Darby | 18 November 2020



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Three Paul, Weiss, Rifkind, Wharton & Garrison LLP offices and Chile's Claro & Cía have helped Chinese power company State Grid acquire Spanish counterpart Naturgy's majority stake in Chilean transmission group Compañía General de Electricidad (CGE) for 2.6 billion euros (US\$3 billion).

Guerrero Olivos in Santiago advised both CGE and Naturgy in the deal, which was signed on 13 November.

State Grid will obtain Naturgy's 96% equity stake in the target and pay for the assets in an all-cash transaction upon the deal's closing in February 2021. It is understood that CGE will hold onto the remaining share in the business. The transaction is subject to regulatory approval from Chile's antitrust body.

The acquisition adds to State Grid's growing portfolio of power assets in Chile. The Chinese utility group paid US\$2.2 billion for the Chilean operations of US counterpart Sempra Energy at the end of last year. It obtained a US\$320 million financing to fund that purchase in June.

Another Chinese utility company that has invested large amounts in Latin American power assets is China Yangtze Power International, which completed the US\$3.6 billion acquisition of Peru's biggest electricity company, Luz del Sur, from Sempra in April.

The sale of CGE is expected to give Naturgy pre-tax capital gains of 400 million euros (US\$475 million).

The sale will also help cut Naturgy's debt pile by around 4 billion euros (US\$4.8 billion), which would reduce the company's overall indebtedness to some 11 billion euros (US\$13 billion).

Amid an ongoing corporate restructuring, the Spanish utility company – formerly known as Gas Natural Fenosa – has divested heavily in Spain and Italy, among other locations in recent times. In Latin America, it sold assets in Colombia for US\$560 million back in 2017, after another of its Colombian subsidiaries – Electricaribe – was seized by the local government. The state took back control of Electricaribe after it had collected some US\$1.5 billion worth of debt racked up by Naturgy. The matter triggered an arbitration case, with the Spanish group claiming that its debt problems arose after customers defaulted on US\$1.4 billion worth of payments. Naturgy sold the assets to Colombian companies Empresas Públicas de Medellín (EPM) and Consorcio Energía de la Costa in March this year for US\$1.6 billion. Naturgy is still awaiting a decision on the arbitration.

Headquartered in Beijing, State Grid is among the world's most prominent power suppliers and was named the fifth largest company in the world by revenue in 2019. It counts over 1 billion customers, with global assets in Brazil, Chile and Portugal, among others.

CGE is Chile's largest power distribution company by clients. It supplies electricity to around 45% of Chile's population, serving 14 of the country's 16 regions.

Counsel to State Grid

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