



Chinese investment and Ausgrid

A decision by Australian Treasurer Scott Morrison on whether to approve the partial sale of NSW electricity distributor, Ausgrid, is expected shortly.

1. In March only three companies made the shortlist to buy a 50.4 percent share of NSW electricity distributor Ausgrid. All were Chinese. Since then one has dropped out leaving State Grid, a Chinese state-owned company, and Cheung Kong Infrastructure, a Chinese privately-owned company, as the only bidders.¹

2. Last November the NSW Government collected \$10.3 billion from the 100 percent sale of electricity distributor Transgrid. NSW taxpayers also picked up \$2.2 billion from the sale as part of the Federal Government's asset recycling program. These funds are now being used to bankroll projects such as the Sydney Metro.² The sale of Ausgrid is expected to fetch NSW taxpayers an even higher return.³

3. State Grid received Foreign Investment Review Board (FIRB) approval to buy electricity distribution assets in South Australia in 2012 and again in Victoria in 2013.⁴ It also received FIRB clearance as part of a consortium to acquire Transgrid in 2015 but was beaten by a rival bid that included Canadian and Middle East investors.⁵

4. China and the Philippines have been locked in a territorial dispute in the South China Sea. Yet in 2007 the Philippine Government still approved State Grid to become the single largest owner of the Philippine electricity grid.

As South China Sea tensions heightened last year, Philippine Energy Secretary Carlos Petilla said: "The State Grid of China may own 40 percent of the National Grid Corporation of the Philippines, but what really matters most is who is running the operation."⁶

5. In April new academic research found that the overwhelming concern of the Australian public with respect to foreign investment in infrastructure assets is the share of foreign ownership that will result, not which country the investor is from, nor whether the investor is government or privately-owned.⁷

6. The 2016 Lowy Poll found that more Australians consider China "Australia's best friend in Asia" than any other country.⁸

¹ Angela Macdonald-Smith, "NSW plays down Ausgrid sale concerns as bid thins", *Sydney Morning Herald*, April 3 2016 <http://www.smh.com.au/business/energy/nsw-plays-down-ausgrid-sale-concerns-as-bidder-list-thins-20160330-qnub48.html>.

² Mark Ludlow, "Turnbull government pockets left-over asset recycling funds in federal budget", *Australian Financial Review*, May 3 2016 <http://www.afr.com/news/policy/budget/turnbull-government-pockets-leftover-asset-recycling-funds-in-federal-budget-20160427-gog2bg>.

³ Angela Macdonald-Smith, "NSW plays down Ausgrid sale concerns as bid thins", *Sydney Morning Herald*, April 3 2016 <http://www.smh.com.au/business/energy/nsw-plays-down-ausgrid-sale-concerns-as-bidder-list-thins-20160330-qnub48.html>.

⁴ Andrew White, "Treasurer approves Chinese investment in electricity, gas and water", *The Australian*, December 21 2013

<http://www.theaustralian.com.au/business/economics/treasurer-approves-chinese-investment-in-electricity-gas-and-water/story-e6frq926-1226787773607>.

⁵ <http://www.afr.com/business/energy/transgrid-bidders-cleared-by-firb-20151120-gl440c>

⁶ Danessa O. Rivera, "Chinese firm to still own 40% of NGCP after management change, says DOE's Petilla", *GMA News*, February 25 2015

<http://www.gmanetwork.com/news/story/442229/money/companies/chinese-firm-to-still-own-40-of-ngcp-after-management-change-says-doe-s-petilla>.

⁷ Australia-China Relations Institute and Centre for the Study of Choice (UTS), "Chinese investment in Australian critical infrastructure", Conference paper prepared for China: Wealth and power, Australian National University, April 7-8 2016

<http://www.austriachinarelations.org/sites/default/files/Chinese%20investment%20in%20Australian%20critical%20infrastructure%202016.pdf>.

⁸ Alex Oliver, "The Lowy Institute poll 2016",

http://www.loyyinstitute.org/files/2016_lowy_institute_poll.pdf.