

Romania: Enel sells its assets to Chinese investors, due diligence in progress

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The Italian group Enel received a request from the Chinese group interested in purchase of its assets in Romania to allow access to the data room of Enel assets in Romania. Privatization contract shows that the Romanian state has right of first refusal to take control of the entity Electrica Muntenia Sud, company that distributes power including the capital Bucharest. Enel declined to provide confirmation or denial of this information.

Some believe that Enel will certainly sell to entities to Chinese investors, local experts consider that such entry of China into an area with a natural monopoly in Romania will happen. There is a growing worry and increasing sensitivities on how to do business in this area that the Chinese could take, beside capital inflow and equipment and works but also the risk of weakening the quality of services of distribution and supply.

Chinese company asked details about concession contracts held by Enel distribution network, and the distribution tariffs.

Enel plans to sell 64.4% of Enel Muntenia and Enel Energie Muntenia distribution, 51% of Enel Distribution Banat, Enel Distribution Dobrogea and Enel Energie and 100% stake in Enel Romania.

The sale may be delayed because to ongoing arbitrage. The International Arbitration Court in Paris has an ongoing process between the Romanian state and Enel, the government claimed a sum of about 522 million euros.

Enel manages a network of 91,000 kilometers which distributes about 14 TWh per year (with a market share of 34%) which sold approximately 9TWh / year to approximately 2.6 million customers, of which 2.4 million are customers residential (approximately 20% of the retail market) and 200,000 are companies. In 2013, in Romania Enel revenues of 1.118 billion euros and operating profit of 289 million euros.