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China state firms seen boosting green energy investment in Australia

MELBOURNE | BY MELANIE BURTON



Sheep graze in front of wind turbines that are part of the Infigen Energy's Capital Windfarm located on the hills surrounding Lake George, near the Australian capital city of Canberra, Australia, in this July 17, 2015 file photo. 1 of 2
REUTERS/DAVID GRAY/FILES

Chinese state-owned companies are expected to boost their investment in Australia's expanding renewable energy sector, attracted by a national leadership that is more favorable to the industry than its forerunner.

With six to eight state-owned enterprises already involved in or looking closely at Australian energy assets, Melbourne-based financial advisors SILC Group said more deals were on the cards, with so-called green [power](#) coming under particular focus.

They would follow State Power Investment Corp's (SPIC) [CNPOW.UL] A\$300 million (\$230 million) buyout of a wind farm in New South Wales last week, as well as its \$2.5 billion purchase in December of Pacific Hydro, a company which has wind farms in Australia, Brazil and Chile.

"There was always interest, but now there's increased interest from the Chinese," said Peter Munns, an executive director at SILC, which works with China state-backed firms.

"Chinese companies always like our rule of law, our currency risk and stable economy. They like renewables, they also like poles and wires because the revenue is underpinned by regulation."

After coming to power last year, the government led by Prime Minister Malcolm Turnbull in

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December reversed a decision by the previous [administration](#) banning the country's clean energy fund from investing in wind power projects, opening the door to more deals in the sector. Former prime minister Tony Abbott had described wind farms as "ugly" and "noisy".

Munns told Reuters in an interview last week that Chinese firms were looking for projects with long term offtake agreements that would get them a foot in the door in Australian markets, as well as local expertise that would [help](#) them grow.

"They don't just want to have one wind farm here, they want to have a portfolio," said Munns.

"Most want to do solar as well. But they probably think that's a couple of years down the track before it's as economic and as viable as wind is."

A unit of China Shenhua is already part operator of several wind farms in Tasmania, while Beijing Jingneng Power has a stake in the Gullen Range wind farm in New South Wales. Other Chinese state-owned companies that have said they are looking at Australian energy assets include Shanghai Electric Power Co Ltd and Cecep Wind-power Corp.

Wind farms are Australia's No. 2 renewable energy source, behind hydropower but ahead of solar, providing around 4 percent of its total energy demand.

Meanwhile, a tender for New South Wales poles and wire firm Ausgrid, to be decided by mid-2016, has attracted the attention of China State Grid [STGRD.UL] and Southern Power [CNPOW.UL]. State Grid already has a 41 percent stake in South Australia's electricity grid.

(\$1 = 1.3207 Australian dollars)

(Reporting by Melanie Burton; Editing by Joseph Radford)



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