Chinese FDI in Europe’s energy sector – mixed bag rather than blessing or threat

*Impressions from the Policy Forum on Chinese FDI in Europe’s Energy Sector: Blessing or Threat?*

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There is growing interest amongst Chinese companies in investing in Europe. One of the key sectors of interest is the European energy sector, where Chinese companies have been active in R&D, equipment manufacturing, power generation and grids. The renewables sector, solar PV and wind, has been a sector where Chinese companies have been active, but actual investments resemble a mixed bag of economic undertakings. Many have been relatively small, more or less risky, and not always successful. With the exception of the China Three Gorges Corporation investing in wind power in Portugal, Chinese investments are mostly small or medium sized, and are made for multiple reasons, including access to R&D, production facilities and market networks. In numbers these investments in Europe’s energy sector appear to remain small. And contrary to some media reports, the persisting risks and insecurities in Europe’s financial system actually increased the reluctance amongst Chinese companies to invest: contrary to many predictions Europe’s financial crisis did not lead to a sell-out of cheap assets including critical energy infrastructure.

Is Chinese FDI thus a blessing or a threat for Europe’s energy sector? For the time being at least, Chinese FDI in Europe’s energy sector can not be described as a threat. The size of the investments and the stage of their development make it too early to judge their long-term impact. One element in their long-term development will be the negotiation of a bilateral EU-China investment agreement, which is now on-going. These negotiations are not sector specific, but will influence the framework in which energy sector investments are made. At the same time factors such as capacity to manage international investments, corporate governance and economic conditions are at least equally important. It thus remains to be seen how an investment agreement can establish an equal playing field for secure investments between China and the EU.