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*Jean-Claude Juncker*  
*President of the European Commission*

*Margrethe Vestager*  
*European Commissioner for Competition*

*Miguel Arias Cañete*  
*European Commissioner for Climate Action and Energy*

Brussels, 12 July 2018

**Subject: Chinese control over EDP and REN, the Portuguese power utilities**

The European Commission was dismissive to questions addressed to it in 2012 regarding the privatisation of **REN**, the Portuguese power distribution utility, passed under the control of **Chinese SG - State Grid**; and of **EDP**, the Portuguese power production utility, sold to the **CTG - China Three Gorges Corporation** - a state-owned company.

The European Commission, then integrating the Troika overseeing Portugal's bail out program (2011-14), justified endorsing these critical industry and infrastructure privatisations with "the freedom of movement of capital within the EU enables unhindered foreign capital investments across the EU", as stated in an answer by Commissioner Günther Oettinger in 12 March 2012, and "the EU's commitment to openness towards foreign direct investment (FDI) including from third countries", underlines in the answer by the then European Commissioner for Trade, Karel de Gucht, in 27 April 2012.

This reasoning neglects the negative impacts that FDI might have on critical and strategic infrastructures of a Member States - as it is the case of energy power distribution utilities - and, hence, the impacts for the EU as a whole, as well as undermines the potential and serious effects on the EU's strategic autonomy. China has, in fact, been gaining a strategic foothold in Europe, investing in key industries, sensitive technologies and infrastructure with serious impacts for the strategic autonomy, security and public order of the European Union. These are relevant aspects at the ongoing proposed Regulation establishing a framework for screening of foreign direct investments into the European Union unveiled by the European Commission in September 2017 and that is currently being discussed at the European Parliament.



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**CTG - China Three Georges Corporation** is now attempting to ensure dominant control of EDP, Portugal's largest listed company, via a €9bn takeover bid, with a low-ball offer that represents a premium of just 4.8 per cent, so far rejected by the EDP boards as too low.

According to media reports, China's SAFE - State Administration of Foreign Exchange - is the entity behind a mysterious 5 per cent stake in EDP. SAFE's stake is small but has crucial impact, because it has prevented other potential bidders, such as European utilities from trying to step in with rival offers.

The influence of CTG's is also augmented by a 5 per cent stake owned by a little-known entity, **CNIC Corporation**, so that Chinese state-controlled groups already control a total of 28 per cent of EDP's shares.

Also recently, CDOC - China Datang Overseas Co - another State company, tried to buy NOVENERGIA who owns GENERG - the company which explores wind and mini hydric centrals in Portugal. That deal was prevented by the Portuguese regulator ERSE, arguing it would have violated European norms of separation of power production and distribution, as the Chinese State already controls the Portuguese distributor REN.

In view of all this, we ask you:

- Is the European Commission monitoring these developments and not objecting to the Tender Offer on EDP for possible violation of European rules and in order to avert any conflicts of interest?
- Does not the European Commission perceive this purported deal as part of a strategy for dominance and control of a critical sector and critical energy infrastructure for the strategic autonomic, security and public order of the European Union? How can the European Commission stay idle and let it develop?

Yours sincerely,

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