

Case study &gt;

# State Grid acquisition of ElectraNet

**The deal** > State Grid acquisition of a 41 per cent stake in Electra Net.

**Phases of project** > Energy, regulatory issues, M&A, foreign investment, tax, competition

**The twist** > Foreign Investment Review Board approval was needed before State Grid was able to put in an unconditional bid to buy the stake, being sold by the Queensland Government. If approval was not given, or was delayed, State Grid's conditional bid would have put them at a considerable disadvantage to other potential buyers.

**Benefits** > State Grid was able to put in an unconditional sale bid.

**Consider this structure when** > An unconditional bid is the preferred option, or will give you an advantage during a sale bid.

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Wendy Rae, Partner

When putting in a sale bid, companies always want to be at their most competitive. When State Grid, the world's largest utility, which owns transmission and distribution networks covering 88 per cent of mainland China, wanted to bid for a 41 per cent stake in ElectraNet, the principal transmission network service provider in South Australia, it was important that its bid was unconditional.

However, as State Grid is a State-owned enterprise (**SOE**), Foreign Investment Review Board (**FIRB**) approval was required to allow State Grid to proceed. It is FIRB's policy to review all investments made in Australia, irrespective of deal size, by foreign SOEs.

It was critical that FIRB approval was obtained in time for State Grid to put in an unconditional sale bid – a bid with any conditions attached would have significantly disadvantaged it.

Partner Wendy Rae said it was crucial to successfully obtain FIRB approval in the tight timeframe required to meet the broader competitive bid deal timetable. Central to this success was the decision to engage early with FIRB, particularly in light of the fact that, although FIRB had reviewed many bids by SOEs in the mining and agricultural sectors in the past, this was the first significant FIRB application made by an SOE in the energy sector.

'A critical element in the success of obtaining FIRB approval was the decision to engage with FIRB on an informal basis very early in the process. In particular, FIRB clearly appreciated the opportunity to meet with senior executives from State Grid to discuss their broader intentions for acquisitions in Australia,' said Wendy.

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State Grid's successful acquisition of the ElectraNet stake marked its first foray into the regulated energy market in Australia.

A combined team of Allens and Linklaters lawyers, led by Linklaters partners Judie Ng Shortell and Thomas Ng and Allens partners Grant Anderson and Wendy Rae, advised on a number of aspects of this successful acquisition, including negotiation of the transaction documents, due diligence, obtaining FIRB approval and Hong Kong corporate law issues.

Successful closing of the transaction clearly demonstrates the ability of Allens and Linklaters to help Chinese clients achieve their commercial objectives, both in Australia and the wider region.