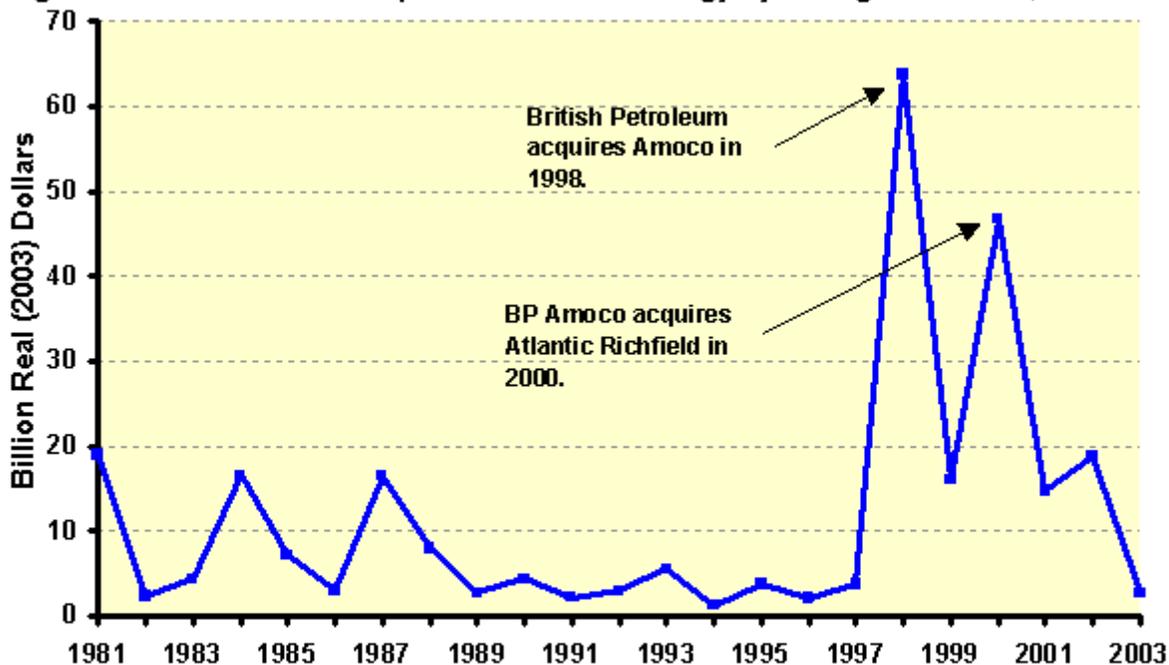


Foreign Direct Investment Acquisitions and Divestitures for the Year 2003

After Five Years of Elevated Activity, Direct Acquisitions of U.S. Energy Assets by Foreign Investors Collapse in 2003

Total direct acquisitions of U.S. energy assets by foreign investors^[1] fell to \$2.7 billion in 2003 (see Figure 1). This is below its average annual amount (in constant dollars) during the 1989 through 1997 period, when direct acquisitions by foreign investors were at historically low levels. Direct acquisitions by foreign investors are purchases, made directly or indirectly by the initial foreign direct investor, which result in the investor owning 10 percent or more of the voting securities of an incorporated U.S. business enterprise or the equivalent interest in an unincorporated U.S. business.^[2]

Figure 1. Value of Direct Acquisitions in U.S. Energy by Foreign Investors, 1981-2003



Note: Beginning in 2002, only acquisitions and divestitures greater than \$100 million are included in the totals in this figure.

Sources: **2003:** Table 2. **1981-2002:** Energy Information Administration, "Acquisitions of U.S. Energy Assets by Foreign Investors in 2002 Remain High," Figure 1, <http://www.eia.doe.gov/emeu/finance/fdi/adindex.html>, December 23, 2004.

The total value of all worldwide mergers and acquisitions, not just direct mergers and acquisitions by foreign investors in the U.S. energy industry, was down 18 percent in 2003, its third consecutive year of decline.^[3] The value of worldwide mergers and acquisitions in the oil and gas industry and the utilities industry^[4] fell much more sharply, 64 and 51 percent, respectively. The smaller decline for utilities allowed them to surpass oil and gas in the ranking of industries by the value of mergers and acquisitions completed.

Direct energy acquisitions by foreign investors in 2003 were highest in petroleum refining and marketing (see [Table 1](#)).^[5] While electric power and midstream natural gas also experienced substantial direct acquisitions by foreign investors, direct investment in oil and gas production, which often has the highest level of activity by foreign investors, fell to its lowest level (in current dollars) since 1999.

Direct divestitures of U.S. energy assets by foreign investors in 2003 fell to their lowest level (in current dollars) since 1999, although they exceeded direct acquisitions for the first time since 1994 (see [Table 1](#)). Direct divestitures were led by oil and gas production. After 4 years of inactivity, coal had one large direct divestiture by a foreign investor in 2003, which resulted in the sector producing the second highest level of direct divestitures of any sector in the energy industry.

A list of publicly reported direct acquisitions and divestitures of U.S. energy assets by foreign investors in 2003 valued at greater than \$100 million can be found in [Table 2](#) and [Table 3](#).

Major Acquisition

● **Major Expansion in U.S. Convenience Stores by Alimentation Couche-Tard.** Circle K, an owner and operator of convenience stores in the United States, was purchased from ConocoPhillips by Couche-Tard (Canada) in December 2003 for \$832 million, including \$8 million of assumed debt. The purchase made Couche-Tard, whose name can be translated from the French as “food for those who go to bed late,” the second largest independent (not affiliated with a petroleum company) convenience store operator in North America behind 7-Eleven. After the acquisition, Couche-Tard was affiliated with 3,079 convenience stores that sold motor fuel in the United States and Canada, more than triple the number a year earlier. In total, the company operated 2,957 convenience stores in the United States after the acquisition, 2,154 of which it owned. Couche-Tard first entered the U.S. market in 2001 by purchasing 225 stores.

Major Divestitures

● **Continuing Exit from U.S. Coal by RWE.** Consolidation Coal, later renamed Consol Energy, became a direct acquisition of a foreign investor in 1991, when RWE (formerly Rheinisch-Westfälisches Elektrizitätswerk, Germany) acquired a 50 percent share in the company from DuPont. RWE is a conglomerate primarily engaged in energy, water, and waste disposal activities. RWE’s share of Consol Energy subsequently rose to as high as 94 percent. However, in 2003, reportedly because of a decision to focus on its energy activities in Europe, RWE sold 55 percent of Consol to institutional investors through two private placements.^[6] None of the purchasers could be identified as direct foreign investors. Proceeds from the private placements totaled \$738 million. Since the late 1990s, Consol Energy has evolved from a coal mining company into a multi-energy producer of underground coal, coalbed methane, and electricity through several expansion and acquisitions.

● **Total Divestitures by BP and Royal Dutch/Shell in Oil and Gas Production Large.** Both BP (United Kingdom) and Royal Dutch/Shell (Netherlands and United Kingdom) sold around \$1 billion in U.S. upstream assets (in deals greater than \$100 million) in 2003 (see [Table 3](#)). BP divested oil and gas properties in the Gulf of Mexico and the U.S. onshore, while Shell sold properties in Michigan and the Gulf and an overriding royalty interest in the Gulf.

Table 1. Value of Direct Acquisitions and Divestitures of U.S. Energy Assets by Foreign Investors, 1994-2003
(Million Current Dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002 ^b	2003 ^b
Acquisitions										
Oil and Gas Production ^a	159	2,570	368	1,386	53,892	369	31,373	12,579	809	386
Midstream Natural Gas	170	367	1,252	150	3,167	336	680	827	896	602 ^c
Petroleum Refining and Marketing	0	339	50	313	0	0	37	245	7,300	982
Coal	674	0	204	99	400	1,100	0	0	0	0
Electric Power	0	0	0	1,390	536	13,003	11,964	515	9,447	724 ^c
Total Acquisitions	1,003	3,276	1,874	3,338	57,995	14,808	44,054	14,166	18,451	2,694
Divestitures										
Oil and Gas Production ^a	663	699	660	340	585	1,072	11,387	2,319	0	1,998
Midstream Natural Gas	0	167	123	0	75	1,102	0	1,121	1,501	0
Petroleum Refining and Marketing	41	0	679	959	806	170	895	677	128	0
Coal	768	110	0	47	2,312	0	0	0	0	738
Electric Power	NA	NA	NA	528	0	60	4,329	0	2,723	459
Total Divestitures	1,472	976	1,462	1,874	3,778	2,404	16,611	4,117	4,351	3,195

^aIncludes integrated petroleum companies and oilfield services companies.

^bBeginning in 2002, only acquisitions and divestitures greater than \$100 million are included in this table. In 2002, all acquisitions less than or equal to \$100 million totaled \$332 million and all divestitures less than or equal to \$100 million totaled \$135 million.

^cIncludes half of an acquisition that was in both midstream natural gas and electric power.

NA = Not available.

Notes: 1995 divestitures do not include DuPont's \$8.8-billion stock buyback. 1998 divestitures do not include Union Pacific Resources' acquisition of Norcen Energy Resources (Canada) because most of Norcen's assets were not in the United States and an estimate of the purchase price of Norcen's U.S. assets was not available. Totals calculated from unrounded data.

Sources: **2003:** Tables 2 and 3. **1994-2002:** Energy Information Administration, "Acquisitions of U.S. Energy Assets by Foreign Investors in 2002 Remain High," Table 1, <http://www.eia.doe.gov/emeu/finance/fdi/adindex.html>, December 23, 2004.

Table 2. Completed Direct Acquisitions of U.S. Energy Assets by Foreign Investors, 2003*

Acquiring Foreign Parent Company (Country)	U.S. Subsidiary**	Company or Asset Being Acquired	Business of Acquired Company or Asset	Divesting U.S. Parent Company	Estimated Asset Value (million \$)	Closing Month
Alimentation Couche-Tard (Canada)	-	Circle K (1,663 retail outlets plus 616 franchises in 16 States)	refining & marketing	ConocoPhillips	832	December
Fort Chicago Energy Partners (Canada) and Enbridge (Canada)	-	Alliance Pipeline and associated assets (23 percent) ^b	midstream natural gas	Duke Energy	256	April
Talisman Energy (Canada)	Fortuna Energy	natural gas properties and production facilities in New York	oil & gas production	various	250	January ^a
TransAlta (Canada)	TransAlta USA	CE Generation (50 percent)	electric power	El Paso	240	January
Ormat Industries (Israel)	Ormat Technologies	power plants in California	electric power	Corvanta Energy (bankruptcy)	214	November
Boralex (Canada)	-	two power plants in New York	electric power	Black Hills	181	September
Gas Natural (Spain)	-	EcoEléctrica de Puerto Rico (48 percent)	electric power & midstream natural gas	Enron	179	October
Suncor Energy (Canada)	Suncor Energy (U.S.A.)	refinery, retail stations, & related facilities in Denver	refining & marketing	ConocoPhillips	150	August
Candover Investments (United Kingdom)	-	Wellstream	oil & gas production	Halliburton	136	March
TransCanada (Canada)	-	Portland Natural Gas Transmission (29 percent)	midstream natural gas	DTE Energy & El Paso	129	September & December
BG (United Kingdom)	BG LNG Services & BG Gas Marketing	LNG capacity rights at terminal in Georgia	midstream natural gas	El Paso	127	December

*Includes only transactions valued at \$100 million or greater.

**If available.

^aIncludes transactions that occurred in the fourth quarter of 2002.

^bIncludes assets in the United States as well as Canada.

Table 3. Completed Direct Divestitures of U.S. Energy Assets by Foreign Investors, 2003*

Divesting Foreign Parent Company (Country)	U.S. Subsidiary**	Company or Asset Being Divested	Business of Divested Company or Asset	Acquiring U.S. Parent Company	Estimated Value (million \$)	Closing Month
RWE (Germany)	-	Consol Energy (55 percent)	coal	None	738	September & October
BP (United Kingdom)	-	shallow-water Gulf of Mexico properties	oil & gas production	Apache	528	March
Royal Dutch/Shell (Netherlands & United Kingdom)	Shell Exploration & Production	exploration & production assets in Michigan	oil & gas production	Merit Energy	445	September
Royal Dutch/Shell (Netherlands & United Kingdom)	Shell Oil	overriding royalty interest in Gulf of Mexico reserves	oil & gas production	Morgan Stanley Capital Group	300	July
BP (United Kingdom)	-	various onshore properties	oil & gas production	Merit Energy	290	-
British Energy (United Kingdom)	-	AmerGen Energy (50 percent)	electric power	Exelon	277	December
BP (United Kingdom)	-	Permian Basin properties	oil & gas production	Occidental Petroleum	235	April
Royal Dutch/Shell (Netherlands & United Kingdom)	Shell Oil	Gulf of Mexico properties	oil & gas production	Apache	200	July
Marubeni (Japan)	-	Sithe Energies (15 percent)	electric power	Exelon	182	November

*Includes only transactions valued at \$100 million or greater.

**If available.

Endnotes

¹ EIA issues an update of direct acquisitions and divestitures of U.S. energy assets by foreign investors each year. The information presented here is derived from company reports and press releases, published compilations of acquisitions and divestitures, such as *Mergers & Acquisitions*, and company filings with the U.S. Securities and Exchange Commission. Because not all FDI transactions necessarily become public knowledge, the set of transactions reported here may be incomplete. The Energy Information Administration does not directly collect any data regarding these types of transactions, nor does it make any attempt to independently value them.

² Purchases of a U.S. energy business or asset by one foreign direct investor from another foreign direct investor are not included in the direct transactions discussed here. Foreign assets owned by the U.S. business that is being acquired are included in the purchase amount.

³ "2003 and 2002 M&A Profile," *Mergers & Acquisitions* (Thompson Media, New York, February 2004), pp. 9 and 18 and (February 2003), pp. 15 and 24. Total mergers and acquisitions data are used because, while *Mergers & Acquisitions* separates deals into a category titled "non-U.S. companies' acquisitions of U.S. companies and assets," the definition of this category is not equivalent to the definition of direct acquisitions by foreign investors used here.

⁴ The largest segment in the utilities industry is electric power.

⁵ The value of transactions in the petroleum refining and marketing sector is small in part because deals involving integrated petroleum companies, which include production and refining and marketing, are included entirely in the oil and gas production sector.

⁶ RWE sold its remaining interest in Consol Energy in early 2004.