

Canada approves US\$5.5bil energy takeover by Petronas

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Canada on Friday approved two major takeovers of energy firms by Malaysia's national oil company Petronas and the Chinese state-owned giant CNOOC - deals worth an estimated more than US\$20 billion in total.

Prime Minister Stephen Harper announced regulatory approval for CNOOC's US\$15.1 billion takeover of oil and gas company Nexen, and Petronas' offer for Canadian gas producer Progress Energy Resources, estimated at US\$5.5 billion.

However, he cautioned that Ottawa would henceforth block attempts by foreign state-owned companies to buy controlling stakes in Canada's lucrative oil sands.

"In light of growing trends and following the decisions made today, the government of Canada has determined that foreign state control of oil sands development has reached the point at which further such foreign state control would not be of net benefit to Canada," Harper told a press conference.

"The larger purposes of state-owned enterprises may go well beyond the commercial objectives of privately owned companies," he said.

"It is not an outcome any responsible government of Canada could ever allow to happen. We certainly will not."

Harper however held open the door for "exceptional circumstances" when the new rule may not be applied.

In a statement, Industry Canada - the government's economic development and corporate affairs department - said Ottawa will progressively increase the review threshold for deals to CAN\$1 billion (US\$1.01 billion).

The industry minister will continue to review state-owned bids for Canadian companies in non-energy sectors when valued at CAN\$330 million or more, it said.

Strong opposition

The CNOOC takeover of Nexen comes seven years after political panic about China's thirst for global energy assets scuppered a massive bid to take over California's Unocal.

It is China's largest foreign investment and its largest energy deal, according to data firm Dealogic. And it too stirred strong opposition across Canada.

Calgary-based Nexen produces the equivalent of around 213,000 barrels of oil a day, with concessions in Canada's oil sands, Britain's North Sea, Nigeria, the Gulf of Mexico and Colombia.

China is the biggest energy consumer in the world, the second biggest consumer of oil and has been snapping up resource assets across the globe in order to fuel break-neck growth.

CNOOC already has CAN\$2.8 billion invested in Canada, including stakes in MEG Energy Inc. and oil sands producer OPTI Canada Inc.

The company pledged in its proposal to keep Nexen's regional headquarters in Calgary and proposed that Nexen assume management duties for existing CNOOC operations in North America and the Caribbean.

Nexen's assets in Britain, the United States and other countries would continue to be managed from regional offices, and CNOOC would retain the current management, employees and local suppliers in those operations.

As for the Progress Energy deal, an earlier acquisition proposal by Petronas, aimed at securing stable supplies of liquefied natural gas (LNG) from North America, was rejected by the Canadian industry minister.

Last year, Petronas established a joint venture with Progress Energy to develop a portion of the Canadian company's shale assets and an integrated LNG export facility in western Canada.

The Malaysian giant this week sweetened its bid by offering to boost the Canadian terminal's capacity by 60 percent.

There is growing demand for LNG in Asia's energy-hungry economies, especially in Japan, where power firms have had to step up conventional electricity generation with the country's nuclear plants shut down.

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