



The privatization programme of EDP and REN continues with direct sales to reference investors and financial institutions and public offers in the Portuguese market.

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New stages on the privatization of the energy sector companies

As part of the compliance with the Financial Assistance Program, the Portuguese Government passed Decree Law No. 106-A/2011, on the 8th phase of EDP's re-privatization and Decree Law No. 106-B/2011, on the 2nd phase of the privatization of REN, the energy grid company.

Both aim to lessen the weight of public debt in the economy, to strengthen the presence of investors in the Portuguese market and to diversify the sources of financing of domestic companies. The Portuguese Government believes that despite the sale of all shares in EDP and REN, the existing regulatory and supervision tools are sufficient to safeguard public interest in the energy sector.

The sales shall be conducted by Parpública and will refer to a percentage of the shares representing 21.35% of EDP's share capital and up to 51% of REN's share capital. Three distinct types of sales shall be used, each with different purposes:

- (i) Direct sale to investors who will become reference shareholders to capture industrial investors, particularly, electricity or natural gas network operators, and financial investors with the perspective of stable long term investment. The criteria for selecting the investors include the price, the submission of a strategic project, the absence of conditioning factors and the compliance and financial capacity of buyers. If so determined, for a maximum period of 5 years, the shares acquired may not be sold, encumbered nor be subject to agreements on voting rights;
- (ii) Direct sale to financial institutions to strengthen and diversify the ownership structure of the companies and to commit the financial institutions to carry the subsequent distribution of shares; and
- (iii) Public offer in the domestic market with the objective of promoting the liquidity of the capital, allowing the acquisition of shares by the companies' workers.

The degree of preference given to these arrangements is not the same in both companies: In the case of EDP, operations will preferably be conducted through reference shareholders' direct sales and the other methods shall not be applied, unless necessary. In the case of REN, the three types of sales will be used.

Under the regulations now approved, it is up to the Council of Ministers to decide on (a) the total amount of shares to sell in each of the selling arrangements; (b) to approve the specifications, criteria and method of price determination; (c) the identification of financial institutions to whom the shares will be transmitted, where applicable; as well as (d) the amount of shares to be offered to the public and workers.

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