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**Chinese Utility to Pay Brazil \$3.7 Billion to Run 2 Power Plants**

By DAN HORCH NOV. 25, 2015



Construction of the Santo Antonio hydroelectric dam on the Madeira River in Porto Velho, Brazil. State-owned Chinese utilities have been investing in Brazil's economy. Nacho Doce/Reuters

**SÃO PAULO, Brazil** — China is ramping up its investment in Brazil's electricity sector.

A state-owned power company, China Three Gorges, agreed on Wednesday to pay Brazil's federal government 13.8 billion reais, or \$3.7 billion, for the rights to operate two massive [hydroelectric](#) power plants for the next 30 years.

China Three Gorges made the commitment during a government auction of 29 operational power plants whose concession contracts have expired.

The \$3.7 billion payment to operate the plants was fixed. The auction's winner was the company that promised, after paying that sum, to sell electricity to consumers at the lowest price, but China Three Gorges was the only company to bid on these two plants.

"There weren't other bidders because of the way the government organized the auction," said Claudio Sales, president of Instituto Acende Brasil, an electricity sector think tank in São Paulo. "Fully operational hydroelectric plants with consumer contracts are attractive assets."

The auction was structured to raise funds for the government as quickly as possible. Brazil's Treasury is struggling to bring down a budget deficit that in September led credit the ratings agency Standard & Poor's to downgrade the country's bonds to junk status.

Government ministers have been explicit about their desire to receive revenue from this auction this year, and Mr. Sales said the auction was rushed as a result. "There was very little time for possibly interested parties to arrange financing to participate," he said.

China Three Gorges, the world's largest hydroelectric operator, had already invested \$505 million in Brazil in August, when it bought a handful of smaller plants from a Brazilian company, Triunfo. The Chinese utility has been present in Brazil since 2011, when it spent 2.69 billion euros to buy a stake in a Portuguese energy company, EDP, with multiple operations here.

Another state-owned Chinese utility company, the State Grid Corporation, won a contract in July to build, at an estimated cost of \$1.9 billion, a 1,500-mile transmission line to bring electricity from the giant Belo Monte hydroelectric plant in the Amazon to Brazil's industrial heartland in the southeast.

China is also investing in other sectors of Brazil's economy. So far this year, China's banks have promised \$12 billion in financing to the petroleum giant Petrobras and \$4 billion to the mining company Vale.

And on Tuesday, the Chinese conglomerate HNA [bought](#) a stake in Brazil's third-largest airline, David Neeleman's Azul Linhas Aéreas Brasileiras, for \$450 million, part of the airline's plans to raise a total of \$850 million in capital from China this year.

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