

Analysis on the Development Experience of International Business of Large Energy Enterprises

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Abstract. This article first analyzes the international business development of internationally renowned energy companies such as EDF and PetroChina. Then, summarize the international development experience of large energy companies, hoping to provide a reference for Chinese energy companies to expand into the international market.

Keywords: Large Energy, Chinese energy, international market.

1. Introduction

Currently, the Chinese government encourages Chinese companies to expand into the international market and has introduced policies to encourage domestic companies to build world-class companies. In the context of economic globalization, to build a world-class enterprise, it is necessary to actively integrate into the world's economic development. At present, the international industrial structure is undergoing major adjustments, the global energy and power sector is undergoing profound changes, and the international development of domestic enterprises is still in a period of important strategic opportunities. This article summarizes the international business development experience of large domestic and foreign energy and power companies, and provides a reference for Chinese energy companies to better expand the international market.

2. International Business Development Experience of Large Energy and Power Companies

2.1 Accelerate International Development along the Industrial Chain around the Main Business.

World-class companies such as EDF and NG all have clear internationalization strategies and develop international business based on their core advantages. EDF aims to integrate European energy groups, acquires or participates in European countries' distribution and power supply companies, forms strategic synergies through internal collaboration, and avoids structural price risks; adheres to the strategic positioning of "the world's leading nuclear power plant operator" and utilizes nuclear power Advantages Actively expand the nuclear power markets in the United States, China, South Africa and the United Kingdom to achieve rapid development of nuclear power business. NG leveraged its advantages in power grid business operations, entered the US power transmission and distribution business and similar gas distribution businesses, successfully replicated its excellent operating capabilities in the US business, achieved substantial cost reductions, and achieved great success in international development.

2.2 Establish A Flexible Market Response Mechanism to Seize Favorable Business Opportunities.

The growth history of GE and other multinational companies shows that the rapid development of world-class companies depends on a keen grasp of major opportunities in the international market. GE insists on strengthening the flexible market response mechanism, and has opened up the home appliance market before the large-scale machinery business faces anti-monopoly accusations. Before the economic depression and the advent of the First World War, GE had begun to increase its investment in the military industry. When the manufacturing industry slowed down in the 1980s, GE has entered the more profitable media, entertainment and financial services industries. Before the dot-

com bubble burst, GE found a way to make e-commerce profit. Before the wave of globalization, GE was the first to carry out international production and sales, and was always at the forefront of opportunities.

2.3 Pay Attention to the Influence of Non-commercial Factors in the Process of Overseas Business Expansion.

The international development history of EDF, CNOOC and other companies shows that the "going global" of energy and power companies is more affected by non-commercial factors such as the host country's government and public opinion. In the acquisition of British energy companies, EDF sought the support of the French government on the one hand and actively sought preferential terms. On the other hand, it used the British government's motivation to encourage the development of nuclear power to win the support of the British government to ensure the smooth progress of the acquisition. In the process of CNOOC's bid for "Unocal", it ignored communication with the US government, while rival Chevron used its political influence in Washington to exaggerate CNOOC's status as a state-owned enterprise and created political obstacles. CNPC has helped Sudan establish a complete oil industry system, providing more than 80,000 jobs, and has been highly praised by the Sudanese government. It has invested more than 100 million US dollars in public welfare undertakings in resource countries, and established the image of a responsible international company.

2.4 Promote Business Upgrades and Continuously Improve Integrated Service Capabilities

Large multinational companies such as ABB and GE have achieved business value-added and value chain extension by improving their comprehensive service capabilities and upgrading to the high-end of the industrial chain. GE vigorously develops the integration of industry and finance, provides financing and loans to users of aviation, industry, and infrastructure, improves the competitiveness of long-term products, and provides sufficient funds and cash flow for the rapid development of GE's internationalization. On the other hand, providing customers with full life cycle solutions such as consulting and after-sales services other than physical products not only achieves business value-added and value chain extension, but also avoids the adverse effects of the economic cycle. ABB and other companies provide customers with a package of solutions for equipment, engineering construction, system integration, technical support and services, and have achieved high profits and high added value. Provide customers with a full range of integrated services including spare parts, training, and on-site services through "one-stop service" to meet various service needs throughout the life cycle; provide users with a dedicated service team to provide "full-time services" and carry out regular Find out and provide annual service suggestions.

2.5 Priority Is Given to Countries With Sound Laws, Mature Market Environments and Urgent Market Needs

Large-scale multinational companies such as PetroChina and EDF prioritize their operations in countries and regions with stable political and social stability and similar social and cultural environments for their international operations. EDF comprehensively considered the host country's political stability, economic development, and foreign cultural acceptance, and entered the European and Latin American markets in the early stages of international development, laying a successful foundation for becoming the largest energy company in Europe. CNPC makes full use of my country's packaged loans and economic assistance projects to developing and friendly countries, and focuses on entering my country's diplomatic influence and friendly countries or regions, effectively avoiding political risks.

2.6 In the Initial Stage of International Development, Enterprises Can Flexibly Choose Overseas Business Expansion Methods

Companies such as PetroChina, GE, etc. flexibly choose business expansion methods based on the target market and their own characteristics.

In the initial stage of "Going Global", PetroChina aimed at ensuring benefits and controlling risks. On the one hand, it used an internal rate of return of 20% as the basis for selecting overseas projects, accumulating profits through low-risk oil extraction business; on the other hand, it adopted all overseas projects. In the way of holding shares, we insist on being the project operator/largest shareholder, while introducing our own construction team to minimize uncertainties. With the increase in overseas projects and the increasing experience in dividends, risk management and control, and major shareholder checks and balances, the strategy of paying equal attention to holding and equity participation is implemented. The internal rate of return of overseas projects only needs to reach 12%, and at the same time enters the high-risk overseas oil exploration business field .

According to the characteristics of the target market, GE has adopted a rapid acquisition expansion model in more mature developed markets such as Europe and Japan to give full play to its financial advantages, while in China, India, Mexico and other places, it has more choice to establish a wholly-owned company model. Make full use of the local cheap resources, find the source of technology that can be acquired, promote technological innovation and attract outstanding talents through the form of industry-university-research alliances on a global scale.

2.7 Cross-border Mergers and Acquisitions Attach Great Importance to Potential Value, Resource Integration and Synergy

World-class companies such as GE and NG all attach importance to the evaluation of the potential value of mergers and acquisitions and the integration after mergers and acquisitions. GE focuses on cross-cultural management and business resource integration. On the one hand, it tries to maintain the majority of executives, employees, and customer service systems of the acquired company to ensure that changes in company ownership will not affect the interests of customers. On the other hand, the acquired company must complete the transformation to GE's unified corporate culture, values and management system to ensure that it truly integrates into GE's business system and realizes the synergy of mergers. NG adheres to a conservative approach in cross-border asset mergers and acquisitions, and insists on the principle that the acquisition bid is never higher than the industry average. When acquiring American power and gas companies, it comprehensively evaluates the potential value of the acquisition target to ensure that the acquisition price is reasonable; it must ensure that the acquisition price is reasonable. The cash flow of the company is positive, and it would rather give up opportunities than take over acquisitions at a high premium.

3. Conclusion

Based on the previous experience, this article puts forward the following four enlightenments to provide reference for Chinese companies to expand international markets.

In terms of international business positioning, according to the development law of "exporting capital-exporting technology and equipment-exporting management and culture", at the initial stage, we should develop international business based on core resources and comparative advantages, and continue to expand and extend the industrial chain.

In terms of market selection, we should try our best to choose countries and regions with good diplomatic relations and similar business environments to expand our business.

In terms of investment methods, there are multiple models such as direct or indirect investment, holding or equity participation in mergers and acquisitions, and joint ventures and cooperation. European and American markets are more suitable for joint ventures, participation in large companies, mergers and acquisitions of small and medium-sized enterprises, etc.; developing countries and emerging markets are more suitable for independent operation or cooperation with local companies with strong political influence.

In terms of risk prevention, measures such as joint ventures and cooperation, insurance, market diversification, and improvement of project investment decision-making mechanisms have been adopted to reduce investment and operational risks.

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