

# GDF-Suez merger and the global scramble for energy

Alex Lantier

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The recently announced merger between Franco-Belgian private utility Suez and French public utility Gaz de France is a calculated assertion of French business interests. Faced with growing international tensions and competition, the French bourgeoisie feels compelled to concentrate its energy operations into semi-public mega-corporations.

In all, GDF-Suez's components will have yearly revenues of €72 billion and a stock market capitalisation of €90 billion; last year, they generated €8.1 billion net profit. It will be the largest gas buyer and transporter, the fifth-largest electricity producer, and the largest importer and buyer of liquefied natural gas (LNG) in Europe. Prior to the merger, Suez will spin off its water and waste treatment operations into a new company, Suez Environnement, of which GDF-Suez will hold 35 percent of the stock. The French state, by keeping its stake in GDF, will own approximately 35 percent of the capital of the merged company—a portion deemed sufficient to fend off hostile takeover attempts.

Suez is the latest incarnation of the corporation founded in 1858 by French diplomat and adventurer Ferdinand de Lesseps to build the Suez Canal in Egypt. After the canal was nationalised in 1956, Suez used its cash reserves to enter into finance, merging with the Banque d'Indochine, the former monetary authority in France's Southeast Asian colonies. It later began making industrial acquisitions, focusing on water and sewerage (buying La Lyonnaise des Eaux) and energy (the Belgian gas and electricity firm Electrabel, and various gas and hydroelectric operations in France).

Internationally, its energy group runs power plants (most importantly in Thailand, Brazil and the US, but also in Algeria, Morocco, Laos, China, the United Arab Emirates [UAE], Turkey, Togo, Chile and Peru), natural gas pipelines (Thailand, Argentina, UAE and Peru), and LNG shipping and storage facilities, notably in Boston, Massachusetts, in the US. Its water and waste operations, worth €11.4 billion, also span the globe, generating opposition in the Philippines and Latin America with attempts to privatise water and sewer authorities.

Gaz de France (GDF) is the major French public natural gas utility, created in the 1946 nationalisation of the energy sector after World War II. According to company figures, it has 30,000 km of gas pipelines supplying 75 percent of the French population with gas, part of a larger international network of 170,000 km of gas pipelines. It has distribution or production operations in much of Europe, Canada, Mexico, India and Africa (in Egypt and in several former French colonies: Algeria, Mauritania, and the Ivory Coast).

Plans for the merger date at least to February 2006, when Italian utility Enel announced a hostile takeover bid on Suez. The French government quickly responded with plans for a Suez-GDF merger and, by November, obtained the permission of French and European Union (EU) authorities. Trade unionists on GDF's board, citing unclear consequences for GDF's employees, opposed the plan, which was delayed several months.

On September 3, reportedly after the personal intervention of President Nicolas Sarkozy, Suez CEO Gérard Mestrallet and GDF CEO Jean-François Cirelli announced that the two companies would merge effective early 2008.

The French bourgeoisie clearly feels it has achieved something of a coup. The daily *Le Monde's* editorial, titled "A strategic merger," said: "It is certainly regrettable that European states cannot together draw up the energy landscape of tomorrow. But, in this free-for-all, France comes out ahead. With EDF [public electricity utility Electricité de France], [oil-gas firm] Total, and [nuclear firm] Areva, she already had three world-class firms. With GDF-Suez, she has a fourth. No other EU country can say as much."

Writing on the GDF-Suez merger, the right-wing financial daily *Les Echos* issued a paean to state economic intervention: "Our authorities are passing from an empirical conception of economic patriotism to a strategic vision of the State's role.... This offensive, intelligent, and efficient State must be at the origin of a new public interventionism. No political or juridical weapon may be denied it." This call for a corporatist, authoritarian state, capable of using any

means necessary to secure its energy supplies, takes place within a definite world context.

As most clearly shown by the US invasion of Iraq, the imperialist powers increasingly use any means to secure energy supplies. Natural gas is, moreover, particularly important in Europe. According to US Department of Energy statistics, it is expected to generate more than one third of European electricity by 2030 (1,394 billion kilowatt-hours), as opposed to 16 percent (531 billion kilowatt-hours) today.

For now, Europe gets much of its natural gas from Russian mega-corporation Gazprom. The European bourgeoisie has become increasingly wary, however, of possible supply disruptions, as US-backed “colour revolutions” in former Soviet republics such as Ukraine and Georgia lead to political tensions and potential cutoffs of the flow of oil and gas from Russia to Europe. Sarkozy has criticized Russia for “brutal” use of its energy resources in political manoeuvres in eastern Europe.

The merger seeks to create a corporation powerful enough to establish French influence in a crucial sector of the energy market and to secure access to key raw materials. In an interview with the daily *La Croix*, University of Paris professor Jean-Marie Chevalier explained: “One suspects that [GDF-Suez] wants to get access to the gas itself, developing partnerships with producing countries like Qatar, Yemen, Algeria and possibly Russia. In the short term, thanks to its size, GDF-Suez will also have a better position to negotiate contracts for gas purchases with producing countries.”

The GDF-Suez merger has brought to the open the tensions between the various national cliques of the European bourgeoisie, each of which strives to build its own “national energy champion” to get its share of massive energy profits. In an immediate sense, the Suez-GDF merger targets Suez’s and GDF’s European energy rivals, such as E.ON and RWE of Germany and Enel of Italy. All three stocks fell on news of the merger.

The *Frankfurter Allgemeine Zeitung* commented: “These massive interventions by public authorities may have a certain tradition in France, but still that cannot serve as an excuse.... This is not a model for Europe.” German Chancellor Angela Merkel reportedly discussed the GDF-Suez merger at her September 10 meeting with Sarkozy at Mesenburg castle, near Berlin.

The Belgian financial weekly *Trends* titled its account of the merger “Belgium: the major loser.” Noting the major stake the French state would have in Belgium’s main energy company, Electrabel, it wrote: “Some analysts deplore the fact that this merger will result also in the nationalization of most of the Belgian energy sector by a foreign state.” It

quoted Belgian Energy Minister Evelyne Huytebroeck: “Might the French state, as the largest shareholder, not place the interests of its consumers above those of Belgium?”

On September 9, the *Financial Times* reported that Spanish authorities were preparing to challenge the merger before EU authorities in Brussels, claiming that high French gas prices had unfairly allowed GDF to amass money for acquisitions. Brussels is already investigating claims that EDF provides French manufacturers with electricity at low prices, unfairly favouring them over their European competitors.

The threat posed by the merger to the European and international working masses is of an entirely different character. There are several obvious and important concerns: the threat of job losses—GDF and Suez have said they will seek €1 billion in cost cuts during the merger—and the possibility of further gas rate hikes.

The most serious dangers, however, stem from the unstable and warlike world situation, as each national state seeks to guarantee its access to international energy resources and thus the competitiveness of favoured business interests. It is no coincidence that Sarkozy sealed the GDF-Suez merger on the heels of his August 26 foreign policy statement, in which he called for a European military buildup. Given the impossibility of finding sufficient resources and sufficient profits on its territory, French imperialism must be prepared to protect its acquisitions abroad by force of arms.

While this build-up might initially lead to more “humanitarian” operations in energy-rich former French colonies like that in the Ivory Coast, an aggressive French energy policy would soon come into open conflict with US and other imperialist interests. This is perhaps made most evident by large-scale French investment in Iran—notably Total’s US\$2 billion development of Iran’s South Pars gas field—as the US government continues to develop its plans for attacking that country.



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