

**BUSINESS**

# Colombia Sells Stake in Power Generator Isagen to Canadian Investment Fund

The \$2 billion deal is country's biggest privatization in a decade

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Colombian President Juan Manuel Santos called the government's sale of its controlling stake in power generator Isagen to Canada's Brookfield Asset Management for \$2 billion on Wednesday "a great deal for the Colombian people." *PHOTO: FREDY BUILES/REUTERS*

By **RYAN DUBE** and **DANIELA RAMIREZ**

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**BOGOTÁ**—Colombia's government on Wednesday sold its majority stake in power generator Isagen SA for \$2 billion to a Canadian investment fund as leftist activists and lawmakers took to the streets to protest what was the biggest privatization in a decade.

In a public auction, a subsidiary of Toronto-based Brookfield Asset Management acquired 57.6% of Isagen by paying about \$1.38 per share for the firm, which was the minimum set by the government. Credit Suisse advised the government in the sale.

The subsidiary, Brookfield Colombia Investments LP, was the only bidder after Colbun SA, one of Chile's largest power companies, pulled out of the auction earlier this week because of new deadlines and an increase in the minimum price.

President Juan Manuel Santos called the sale "a great deal for the Colombian people.

"The country is modernizing like never before and those resources are very important at this moment," he said, referring to the sale price.

Medellin-based Isagen is one of Colombia's biggest power companies with six hydroelectric plants and an installed capacity of over 3,000 megawatts. The company

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- Colombia's Central Bank Raises Rates Amid Inflation Concerns (<http://www.wsj.com/articles/colombias-central-bank-raises-rates-amid-inflation-concerns-1446252171>) (Oct. 30, 2015)
- Colombia Set to Benefit From Peso's Crash, Says Finance Minister (<http://blogs.wsj.com/frontiers/2015/10/09/colombia-set-to-benefit-from-pesos-crash-says-finance-minister/>) (Oct. 9, 2015)

generates about 16% of the electricity used in Colombia.

Brookfield said in a statement that it will complete the deal for Isagen by paying in cash in U.S. dollars by the closing date of Jan. 26. The fund, which has about \$225 billion in assets under management, said its acquisition of Isagen “aligns with our objective of building our global renewable energy business with high quality, predominantly hydro assets.”

Plans to sell Isagen had been in the works for some time. Former President Álvaro Uribe's government had planned an auction that attracted several local firms. Those firms declined to participate in future auctions because the cost of Isagen was seen as too expensive and because of regulations that hindered their participation.

Julian Villamizar, an analyst at Credicorp Capital, said the “valuation was quite high” on the deal. “The key will be that the government uses the resources well,” he said.

The Finance Ministry said it plans to use the cash to fund an important infrastructure project involving upgrading and expanding a network of highways in one of the most geographically challenging countries in the world. The government and business community have said the highway project is vital to improving economic competitiveness.

The government said that former finance ministers would supervise how the funds from the sale are used. It added that Isagen's sale wouldn't affect Colombia's budget, as the firm's dividends represent 0.07% of the government's annual revenue

“This new step will give a big push for the economy by way of infrastructure construction, which is the right policy at a time of tight financing,” said Natalia Abello, Colombia's transportation minister.

The sale of Isagen, which runs Colombia's largest hydropower plant and has a reputation for being a well-run state company, has been controversial, setting off protests in Bogotá.

“Santos gave away what wasn't his,” Sen. Jorge Robledo, a staunch critic of privatizations, said on his official Twitter account.

Opponents of the deal say that the funds will be used by Mr. Santos to plug a fiscal hole in a country that has seen oil investment stall and the peso fall about 35% in a year. The fiscal deficit for 2016 is estimated at 3.6% of gross domestic product, or about \$9.3 billion.

“We can't be resigned that this is the last word,” said Julio Roberto Gómez, who as president of the CGT national union is preparing a national strike to protest the sale. “This operation puts into question our electrical sovereignty and leaves Colombians exposed to the voracity of multinationals.”

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