

FINANCIAL TIMES

SATURDAY MARCH 14/SUNDAY MARCH 15 2009

GE commits to investments in energy

GENERAL FINANCIAL

\$4bn pledged to infrastructure plans

Reduced amount reflects slowdown

By Sheila McNulty in Houston and Justin Baer in New York

General Electric has sought to reassure shareholders and customers that its finance arm remains “open for business” in spite of the deepening economic downturn, saying the division would invest as much as \$4bn in energy projects this year.

The crisis that gripped the credit markets in the past year has taken its toll on GE’s own financial-services division, GE Capital. But even as the slowdown began to crimp profits, the conglomerate’s energy businesses, which include water infrastructure and gas turbines, continued to flourish.

GE Capital’s energy financial services unit, which helps fund the purchase of the infrastructure gear sold by other GE divisions as well as those produced by its

competitors, aims to maintain that momentum.

“We’re open for business on the energy financial side of GE,” Alex Urquhart, chief executive of GE Energy Financial Services, told the FT. “We’re ready to move forward and make new investments.”

Nevertheless, the \$4bn pledge marks a decline from the \$6bn Mr Urquhart invested last year. In an effort to reduce its dependence on financial services, GE has been shrinking GE Capital’s balance sheet, slashing thousands of jobs and cutting its borrowing needs.

Still, Mr Urquhart said the budget is more than enough to maintain GE’s status as one of the biggest investors in energy projects.

The division will raise the funds from asset sales and loan repayments. GE Energy Financial Services has \$22bn in assets. It plans to invest across the spectrum, from conventional oil and gas projects to renewables.

Mr Urquhart’s division has already funded three projects this year, including \$150m in an oil and gas production unit and \$126.5m in a natural gas pipeline construction

project.

Fotowatio, one of Spain’s largest, independent, solar power producers, in which GE Energy Financial Services owns a 32 per cent stake, has made two solar acquisitions this year.

Mr Urquhart said the Obama administration’s emphasis on energy will open up opportunities for further investments. Given difficulties obtaining credit in the US amid the crisis, he said this year a “big focus” of its funds will be in lending, though other types of investment will be made, too.

Flagging confidence in GE Capital has forced its corporate parent to slash its stock dividend for the first time since 1938. The conglomerate has diverted \$15bn in cash to GE Capital since late last year, and participated in two federal programmes designed to boost liquidity in credit markets. On Thursday, GE lost its triple-A rating from S&P on concerns for the finance division.

“We continue to see a world that needs more energy,” Mr Urquhart said. “We’re investing, we’re bullish, we’re open.”