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A Report of the CSIS Freeman Chair in China Studies

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Center for Strategic & International Studies  
1616 Rhode Island Avenue, NW  
Washington, DC 20036  
202-887-0200 | [www.csis.org](http://www.csis.org)

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# Executive Summary

How did one of China's core state-owned enterprises gain a foothold in Greece's electricity sector? This case study examines the "CCP Inc." ecosystem of Chinese officials, state-owned enterprises, policy banks, and private firms that helped State Grid Corporation of China (State Grid) and other Chinese companies gain a stake in the national electric grid and renewable energy projects in Greece. State Grid is the world's largest utility company, pursuing an international strategy of expansion that both implements and informs Beijing's policy goals for global energy infrastructure. By investigating how State Grid acquired a stake in Greece's national power grid operator, the Chinese financing and energy sector business deals that followed State Grid's investment, and the constraints that limited State Grid's later efforts to expand its control over Greece's electric grid, this case study offers insight into the role of state-owned enterprises (SOEs) in the global reach of China's state capitalist system.

# Introduction

In order to further explore the “CCP Inc.” framework of Chinese state capitalism, this report examines the illustrative case of State Grid Corporation of China’s (State Grid; 国家电网) initial investment in Greece’s energy sector and its attempts to expand its reach in the country’s electric grid. State Grid’s entrance into the Greek power market—and more particularly, its causes and consequences—demonstrates the considerable power of the CCP Inc. ecosystem to promote Chinese interests in critical overseas markets, beyond what pure state planning could reasonably achieve. As this case study will illustrate, the CCP Inc. ecosystem can enable greater contributions to Chinese political and economic interests than central government directives alone—even as its blurring of the lines between private and state interests can also present political problems for Chinese businesses.<sup>1</sup>

“CCP Inc.” represents an evolution from the past “China Inc.” framework for examining China’s economic statecraft, which focused on the relatively clear lines between the global activities of state-owned enterprises (SOEs) and government planning directives, such as national five-year plans and foreign policy initiatives like the “Going Out” strategy to encourage outbound investment.<sup>2</sup> Over the past decade, Chinese state capitalism has evolved into a more complex ecosystem of SOEs, private and hybrid-owned companies, Chinese policy banks, diplomatic actors, and state planners pursuing a mix of national and commercial interests. The CCP Inc. framework examines these added layers of political and commercial actors on top of analyses of the government initiatives, SOEs, and national champions that have traditionally been the central focuses in scholarship on China’s economic statecraft.

In this complex CCP Inc. ecosystem, the interactions and motivations of Chinese state and commercial actors are not always easily observable. Therefore, this series of case studies examines the circumstances of certain international investments and business deals for insight into how CCP Inc. operates in practice. Some conduits of state influence are clear, such as in diplomatic

support for business deals. In other cases, outside observers must rely on indirect evidence, such as suspiciously generous financial arrangements or actions by CCP Inc. actors that are not motivated by obvious economic considerations. In Greece, for example, State Grid was able to massively outbid its commercial opponents, while pursuing a national footprint that aligned both with its own business goals and with central government priorities.

The case of State Grid's investment in Greece is an important example of how the CCP Inc. ecosystem has enabled Chinese companies, regulators, banks, and officials to cooperate in pursuit of common commercial and economic goals. Contemporary Sino-Greek economic cooperation is anchored in Greece's decades-long debt challenges. In the aftermath of the 2008–2009 financial crisis, the Greek and Chinese governments began to accelerate the development of investment plans into Greece—and Chinese companies became a key source of financing. In 2016, State Grid took a 24 percent stake in the Greek national power grid operator, ADMIE (the shortened and anglicized version of the original Greek name for the firm, also known as IPTO).<sup>3</sup> The investment was, at the time, the second-largest Chinese investment in Greece, with State Grid significantly outbidding competitors in early offerings for a stake in ADMIE.<sup>4</sup>

A key reason for State Grid's interest in ADMIE was the Greek grid operator's position in emergent interconnections between international power grids across the Mediterranean, which was aligned with the company's vision for an interconnected global grid and was discussed in high-level meetings about the ADMIE stake.<sup>5</sup> After State Grid's initial investment, ADMIE formed new partnerships with Chinese banks, while other Chinese companies made major investments in the Greek energy sector and Chinese firms enjoyed strong diplomatic support for their ventures in Greece. However, State Grid ultimately fell short in its ambitions to expand its footprint in Mediterranean super grids, demonstrating how pushback against CCP Inc. can constrain major SOEs like State Grid. In fact, some features of CCP Inc. that serve to support Chinese companies—namely, state backing and connections to Chinese banks—can also become a liability by reinforcing perceptions of Chinese companies as offshoots of the Chinese government.

This case study proceeds in three parts. Chapter 1 examines State Grid's entry into the Greek power grid as a minority shareholder in the national grid operator, ADMIE. Chapter 2 expands the aperture to examine how private Chinese renewable energy companies followed State Grid into the Greek power sector. Finally, Chapter 3 reflects on what State Grid's entry into the Greek market tells us about SOEs in the CCP Inc. framework, and how State Grid's challenges in expanding its role in the Greek electric grid reflect the limitations of CCP Inc.

# State Grid's Entry into the Greek Energy Sector

## How Greek Debt and Chinese Shipping Interests Anchored China's Economic Expansion in Greece

Sino-Greek economic partnership grew rapidly in the 2000s and 2010s, driven chiefly by Greece's desire for expanded economic partners amid financial troubles, along with the Chinese government's recognition of the geostrategic opportunities accompanying commercial engagement with a nation that links Europe to the eastern Mediterranean and to the Eurasian continent. In 2008–2009, the global financial crisis caused severe economic stagnation, accelerating the country's debt crisis by further constraining Greece's already impaired ability to pay its debts.<sup>6</sup> With the European Union and the International Monetary Fund (IMF) growing ever more wary of Greece's ability to recover, the government needed additional partners. As a result, the Greek government was highly receptive to Chinese investment.

For its part, the Chinese government had long sought further entry points into the European market. For China, Greece's geographic and political position vis-à-vis the European Union created strong incentives for Chinese companies to gain a foothold in the country as a route through which to access the broader European market. Politically, tensions between Greece and the European Union during Greece's period of financial crisis created openings for Chinese investments that might have been met with more pushback in other parts of the European Union. Geographically, Greece's position at the crux of Euro-Asian Sea and land routes presented a critical pull.<sup>7</sup>

In the years after the global financial crisis, the IMF, the European Central Bank, and the European Commission—collectively called the “troika”—required Greece to undergo a series of privatizations

as a precondition for receiving bailout money.<sup>8</sup> Among the most significant of these privatizations concerned the port of Piraeus, one of the fastest-growing seaports in Europe, which required external investment to achieve its economic potential and help restore Greece’s maritime economy.<sup>9</sup> Ultimately, Piraeus found the needed funding through China Ocean Shipping Company (COSCO).

COSCO is one of China’s oldest and largest SOEs—indeed, it traces its institutional legacy directly to China’s original 53 core SOEs, dating back to the 1950s. It has, in its various incarnations, been one of the central government’s key tools for managing China’s trade since the Mao Zedong era. Throughout its history, COSCO has remained closely affiliated with central planners, including the State Council and the National Development Reform Commission (NDRC) today—not merely in the official bureaucratic hierarchy, but in its regular planning and operations.<sup>10</sup>

In 2009, COSCO began a two-phase investment in the port of Piraeus, which would transfer majority ownership of the port to the SOE and would ultimately be labeled by Chinese and European commentators alike as China’s flagship investment in Greece.<sup>11</sup> Under COSCO’s ownership, Piraeus has acted as a beachhead for further Chinese business to enter the Greek market. In 2018, Huawei won the contract to redesign the port’s network infrastructure, while in 2019, COSCO subsidiary OceanRail Logistics acquired Piraeus Europe Asia Rail Logistics (PEARL), and with it, access to run rail in Europe.<sup>12</sup> Moreover, following COSCO’s success in Piraeus, a growing number of Chinese companies went on to offer investments across a range of sectors, including energy—a traditionally sensitive sector given the national security implications of foreign involvement in essential services, such as electricity provision.



*Greek prime minister Costas Karamanlis launches Cosco Hellas—a Greek-owned container ship chartered by COSCO—from the port of Piraeus in July 2006. At the time, COSCO had just opened a direct link to Piraeus. At the christening ceremony, Karamanlis declared: “Greece will be a gateway of entry for China to the broader region.”<sup>13</sup>*

Photo credit: TAKIS TAKATOS/AFP via Getty Images

Following COSCO's acquisition of Piraeus, the next major Chinese investment in Greece would come from another of China's original 53 core SOEs: State Grid. Like COSCO, State Grid plays a critical role in China's central economic planning and international economic statecraft; its acquisition of stakes in the Greek national grid operator served both Greek needs for financing and Chinese interests in gaining a foothold in a country at the center of an emerging international cluster of electric grid interconnections.<sup>14</sup>

## Background on State Grid and Its Role in China's International Electricity Strategy

State Grid is a behemoth even among China's central SOEs. By far the larger of China's two main grid companies, it is the world's largest utility company, managing power supply to roughly 88 percent of China and covering over 1.1 billion people across 26 provinces. With \$613.8 billion (¥4.1 trillion) in total assets as of 2020—including \$46.9 billion (¥316.7 billion) in foreign assets—State Grid is one of the largest companies in the world.<sup>15</sup> Internationally, it ranks as the world's third-largest company by revenue, surpassed only by Amazon and Walmart.<sup>16</sup>

With its staggering scale and resources—not to mention its central role in China's economy—State Grid's investment decisions are central drivers of China's energy and industrial outlooks. Most recently, in January 2022, State Grid chairman Xin Bao'an confirmed that in 2022, the company would invest \$85.9 billion (¥579.5 billion) domestically, of which \$74.3 billion (¥501.2 billion) would go directly to domestic grid upgrades in pursuit of developing a "modern" (i.e., more stable, resilient, and efficient) grid.<sup>17</sup> The amount, while massive, is well within State Grid's financial means, as it saw \$440.0 billion (¥3.0 trillion) in operating income and \$7.5 billion (¥50.8 billion) of pure profit in 2021. These figures give just a small window into the SOE's economic weight.<sup>18</sup>

Politically, State Grid has a long history of being able to leverage both its size and its core role in the economy for behind-the-scenes negotiations with officials in Beijing. Indeed, its sizable investments in grid upgrades strongly tend toward upgrades that will increase revenues, rather than those that will only advance Beijing's goals. A notable demonstration of this fact is the contrast with its smaller counterpart, China Southern Power Grid (Southern Grid), which manages power supply to just under 12 percent of China's territory, all in five southern provinces—notably including industrial powerhouse Guangdong. Despite powerful regional interests in coal-fired power, Southern Grid has demonstrated far greater clean energy ambitions than State Grid, both in terms of scale and in terms of timeline for clean energy substitutions. Perhaps most notably, Southern Grid plans for 60 percent of power generated in its service territory to come from non-fossil sources by 2025, compared to State Grid's targets of 20 percent by 2025 and 25 percent by 2030.<sup>19</sup>

In contrast, State Grid has, both directly and indirectly, delayed efforts to decarbonize electricity generation—chiefly because these efforts depend critically on fundamental reforms to the current power market regime, a regime from which State Grid benefits massively. An example of State Grid's dilatory effects on these reforms: One of the primary objectives of China's 2002 power reforms was for grid companies to divest assets beyond their core business and provide for a clear assessment of the true costs of power transmission and distribution. In the 20 years since, contra Beijing's reform agenda, State Grid has leveraged its enormous profits from monopolistic market control to systematically accrue new assets in areas such as real estate, media, and finance, making key elements of the 2002 reforms—including electricity pricing reforms—all but impossible. China's 2015 power

market reforms, meanwhile, aimed to introduce private companies into the electricity sales market as a means to increase competition and efficiency—a reform that would massively benefit renewables. But industry insiders have consistently argued that State Grid subsidiaries continue to enjoy unfair advantages, including exclusive data and capital access, to exclude other players from the market.<sup>20</sup> Where the political importance of Xi’s dual carbon goals has forced compliance by virtually every power and resource company in China, State Grid stands alone in being able to meaningfully slow-walk or otherwise resist more substantive green transformation efforts. Central policymakers themselves maintain the same assessment, as demonstrated by their ongoing—and slow-going—attempts to gain greater control over State Grid since 2019.

True to its independent nature, State Grid’s overseas expansion has largely been motivated by its economic interests, often buoyed—but generally not driven and rarely constrained—by Beijing’s political goals. State Grid’s primary interest in overseas investment has long stemmed from the fact that China’s relatively rigid electricity pricing system offers far lower returns than those available in countries with liberalized power markets. Multiple analyses in the late 2010s found that State Grid earned double-digit average return on equity (ROE) on foreign assets, which was estimated to be three to five times higher than the ROE on its domestic assets.<sup>21</sup> Meanwhile, demonstrating why State Grid is so reticent to financially depend on its core business, in 2020 the company reportedly lost as much as \$1.67 billion on its core domestic operations—but it still saw a nearly \$193 million profit thanks to the massive profitability of its financial, industrial, and service-sector subsidiaries.<sup>22</sup> State Grid has also historically used international investment to help build economies of scale it could apply in its home market; for example, the company’s strong international presence enabled it to build ultra-high voltage (UHV) power lines abroad, where pricing systems supported such development. This helped to drive down costs for its in-house UHV technologies, which it later employed in domestic projects once costs were sufficiently manageable.

Meanwhile, on the political front, State Grid’s successful overseas investments have allowed it to portray itself as a world-class investor, grid operator, and international standard-setter. This reputation—particularly as Beijing promotes the “Going Out” strategy to encourage outbound investment and Chinese-led standard setting—has helped to significantly strengthen State Grid’s domestic bargaining position, both with other companies and with the central government.

From the government’s vantage point, State Grid remains—despite its outsized independent power—a highly valuable asset in promoting the state’s strategic interests. Most notable among these strategic interests is State Grid’s ability—and aligned goals—to promote international grid interconnections with Chinese firms and technologies, playing a central role in their construction and operation. Promoting Chinese involvement in global grid infrastructure directly aligns with Xi Jinping’s flagship Belt and Road Initiative (BRI), as well as Beijing’s “Going Out” strategy—and aligns just as well with State Grid’s commercial aims.

## China’s International Electricity Strategy

Today, China’s grid development vision is largely encapsulated in Xi’s Global Energy Interconnection (GEI) initiative (全球能源互联网), first introduced to the United Nations in 2015. The GEI initiative aims to promote interconnection of the world’s power grids in multiple continents and to invest in clean energy supplies and energy efficiency.<sup>23</sup> State Grid is closely connected to this initiative: from

the GEI initiative, the Global Energy Interconnection Development and Cooperation Organization (GEIDCO) was born—an organization that partners with the United Nations and other companies to promote the GEI initiative. State Grid itself is a lead sponsor of GEIDCO, and the organization’s chairman is former State Grid CEO Liu Zhenya.

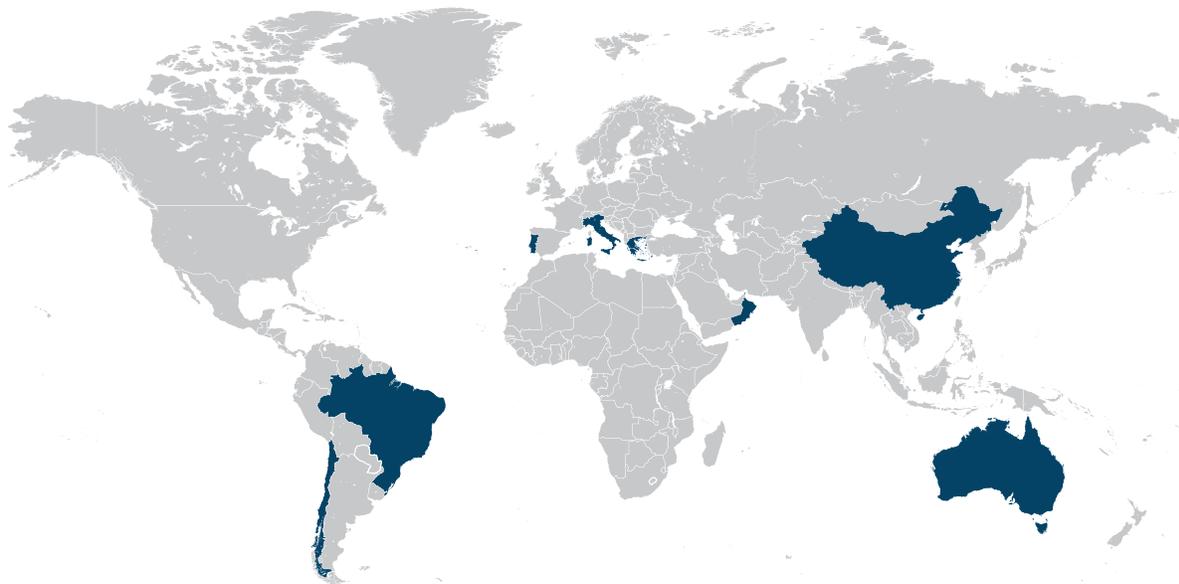
Connecting electric grids creates operational advantages and serves as an avenue for political power projection. A cross-border transmission line between different national or regional grids—an interconnector—can enhance electricity reliability and support a greener grid. In the continental United States, for example, many energy analysts advocate for interconnecting the three different grid regions across the country (currently, the western states, eastern states, and Texas are disconnected from each other).<sup>24</sup> Though hardly a mainstream political issue, calls for grid interconnection are being amplified by the increased prevalence of extreme climate events; risks of severe blackouts, such as the February 2021 outages following winter storm Uri in Texas, can be mitigated by more robust grid interconnections, which provide backup sources of power generation.<sup>25</sup>

In Europe, the interconnector debate is focused on increasing international interconnections as a key route to achieving energy and climate goals, and the European Union has set a target of 15 percent grid interconnection by 2030.<sup>26</sup> Larger grids mitigate issues for intermittent renewables like wind and solar; if the sun is not shining or the wind is not blowing in one part of the grid, other power sources can compensate. Given that electricity, unlike oil or gas, can travel through interconnectors almost instantaneously, larger grid connections provide more flexibility in dealing with supply issues and can create more efficiency in power distribution. Politically, connecting grid communities across nations can also build cross-border solidarity and help promote social and economic benefits. One of the key interconnectors discussed in this report seeks to connect Cyprus to the EU grid, promoting both integration with other EU countries and reliability of power on the island nation.<sup>27</sup>

However, interconnecting grids also involves technical and political risks. International and interregional transmission lines, if damaged, can cause far-reaching disruptions. Related critical infrastructure, such as healthcare and telecommunications, can be brought down, giving significant political leverage to countries that have ownership over interconnectors. Given the critical role of power grids, integration in international grid projects is an avenue for a country like China to both expand economic ties and increase the strength of its position in dealing with other states. Along with Beijing’s promotion of international electricity infrastructure projects, China is also playing a central role in setting global electricity standards and has become the manufacturing base for key components in large-scale electricity transmission systems.<sup>28</sup>

## Figure 1a: State Grid’s Global Footprint

State Grid has invested in and operated “backbone” energy grid infrastructure in nine countries and jurisdictions



## Figure 1b: Representative Sample of State Grid’s Overseas Projects

*In addition to investments in overall grid operators, State Grid is involved in numerous individual international projects.*

Country	Key Project(s)	Description
Brazil	Meishan ultra-high voltage (800 kV) converter station	Allows conversion between DC and AC power; a critical enabler of Brazil’s ultra-high voltage lines, which use DC for increased efficiency
Egypt	EETC high voltage (500 kV) transmission line upgrade	Enables efficient long-distance power transmission between energy supply and energy demand hubs
Ethiopia	GDHA high voltage (500 kV) transmission line upgrade	Enables efficient long-distance power transmission between energy supply and energy demand hubs
Kenya	Kenya-Ethiopia high voltage (500 kV) DC interconnection project	Links Kenya’s power grid to that of Ethiopia to enable long-distance power sharing
Pakistan	Murrah high voltage (660 kV) DC transmission project	Both the highest-voltage and longest transmission line in Pakistan

Source: “境外项目” [Overseas Projects], State Grid Corporation of China website, [http://www.sgcc.com.cn/html/sgcc\\_main/col2017041864/column\\_2017041864\\_1.shtml](http://www.sgcc.com.cn/html/sgcc_main/col2017041864/column_2017041864_1.shtml).

As of 2022, State Grid holds stakes in companies in Portugal, Italy, Belgium, Oman, the Philippines, Australia, Singapore, Chile, Brazil, and Greece, and has invested in projects in nearly 40 countries (see Figure 1). State Grid has also expanded to include 20 representative and subsidiary overseas offices, including State Grid Europe, Ltd., the vehicle for the company’s engagement with Greece.<sup>29</sup> The dual corporate and government strategy of promoting grid integration and interconnection, evident in State Grid’s efforts to expand around the globe, provides the backdrop for the company’s pursuit of engagement in the Greek electricity sector.

The background of State Grid's size, China's international electricity strategy, and a baseline of deepening Sino-Greek ties is important context for viewing State Grid's engagement in Greece. Even before the company gained a stake in Greece's grid operator, a CCP Inc. ecosystem of Chinese actors was already deepening bilateral relations and promoting global energy interconnection, including COSCO, GEIDCO, and Chinese officials. State Grid's remarkable size and influence within the Chinese political system later made the company a central player in the CCP Inc. ecosystem's engagement with Greece's energy sector, starting with its investment in ADMIE.

## **State Grid's Interests in Greece's Power Sector**

In the power sector, a combination of Greece's willingness to welcome Chinese shareholders and its position at the center of emerging European and Euro-Asian grid interconnectors provided more than ample reason for State Grid to explore potential investment opportunities. This exploration was given clear motive by the fact that State Grid's profits in mainland China are tightly bound by regulations aiming to minimize electricity cost pass-throughs to end users, while profits in liberalized European markets would be sizable.

Many Greek islands also offer favorable environments for renewable energy generation through both solar and wind power, two industries in which private Chinese companies have significant advantages and interests in expanding overseas. The fact that the power grid for these islands is connected to the mainland and the rest of Europe means that Chinese renewable energy investments will contribute to the European Union's green goals, making it unlikely that they would become stranded assets once built—unlike investments in, say, coal plants.

Greece, like Portugal and Italy before it, was politically receptive to State Grid's investment during a time of financial need. However, not all European countries were as willing to offer Chinese SOEs such direct inroads to enter their power grids. In Germany, for example, State Grid attempted to buy a 20 percent stake in regional transmission system operator 50Hertz in 2018, which elicited a rare intervention by the German government to prevent the sale due to concerns over Chinese control of key technologies.<sup>30</sup>

In October 2016, State Grid beat out European competitors to purchase a minority stake in ADMIE, the Greek electric grid operator. State Grid secured a 24 percent stake in ADMIE and installed its own management team in the company, giving the SOE its first major foothold in Greece. ADMIE, in turn, soon gained access to needed financing through new deals with Chinese policy banks. State Grid has since attempted to further expand its role in the Greek electric grid—not under direct state guidance, but by and large for its own commercial interests, which it justifies at home by demonstrating alignment with broader state economic goals. However, State Grid later faced pushback in Greece over concerns about conflicts of interest and the company's close ties to the Chinese government, underlining how scale and CCP Inc. connections can also constrain international expansion.

## **State Grid's Entrance to Greece via ADMIE**

State Grid's investment in ADMIE was enabled both by its own vast resources and by its existing footprint in Europe. In October 2017, State Grid finalized its takeover of a minority stake in ADMIE for €320 million (\$361.6 million). That sum, then the second-largest Chinese investment in Greece, reflected State Grid's deep pockets and willingness to spend large sums on international projects. In a previous tender

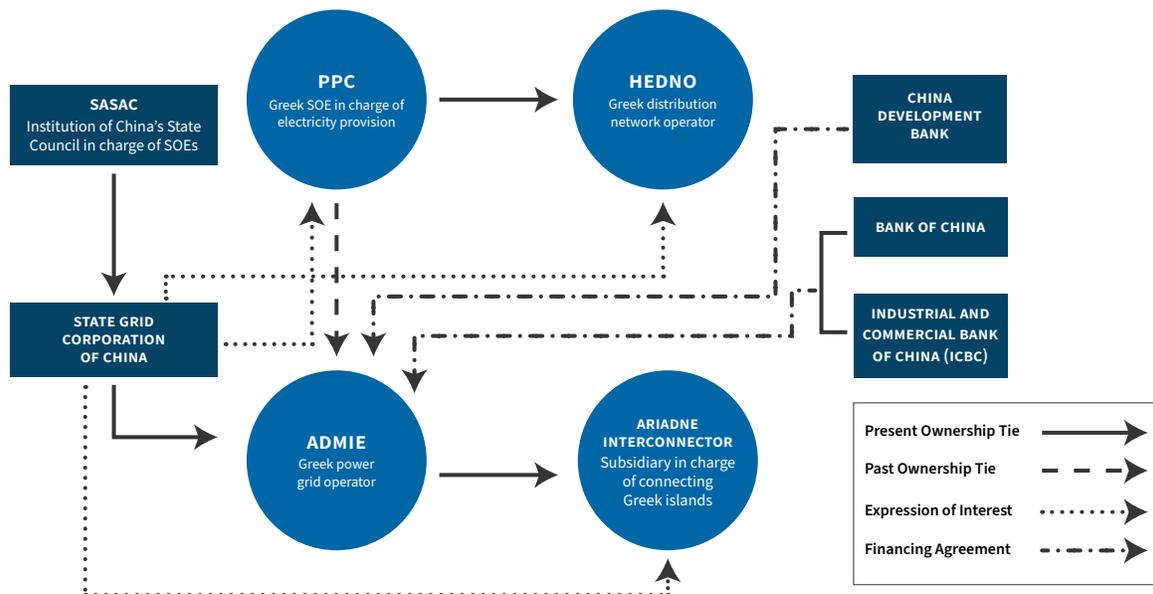
for a 66 percent stake in ADMIE—before Greek authorities lowered the stake offered to 24 percent—Greek media reported that State Grid was willing to pay well over €600 million (\$796.8 million), while its main European competitor, Terna, could only bid around €300 million (\$398.4 million).<sup>31</sup>

Competing with State Grid for stakes in ADMIE was not the first time that Terna had encountered the Chinese SOE. State Grid’s bid in ADMIE came shortly after obtaining 25 percent of REN, a Portuguese grid operator, and 35 percent of CDP Reti, an Italian holding company with shares in two Italian energy companies, Snam and Terna. Greece was the next step in State Grid’s objective to build out a Mediterranean power network—and State Grid’s existing footprint in Europe also directly impacted its bid for a stake in ADMIE; the Chinese SOE only qualified for the bid in the first place because of its existing stake in European companies, a prerequisite for bidding, according to EU rules.<sup>32</sup>

State Grid’s investment in ADMIE reflected both the strengths of its regional corporate strategy and its alignment with Chinese state interests. At the time, its other investments in Europe opened doors for State Grid by allowing it to qualify for the ADMIE bid. Broader Chinese interests also helped secure the agreement. Ahead of the ADMIE investment, Greek newspapers reported that during one of Greek prime minister Alexis Tsipras’s visits to China, Chinese contacts had expressed interest in working with Greece to develop its renewable energy and to invest in Greece’s efforts at interconnecting the island’s power to the mainland’s power grid. During the same meeting, these unspecified “Chinese contacts”—unconfirmed but highly likely to have included State Grid representatives—also expressed an interest in acquiring a stake in Public Power Corporation (PPC), the Greek SOE charged with energy distribution and the 100 percent owner of ADMIE before State Grid’s investment.<sup>33</sup> On top of this context of broader Chinese engagement, State Grid’s ability to so significantly outbid its rivals would have made it politically and financially all but impossible for ADMIE and the Greek government to turn down State Grid’s tender.

Figure 2: ADMIE and State Grid in the CCP Inc. Ecosystem

A relationship map of financial and ownership ties



Source: Authors’ research based on multiple sources cited throughout the report.

Note: The arrow marking State Grid’s expression of interest in PPC is based on the assumption that State Grid was the “Chinese contact” discussed in a Greek media report about the matter, which is unconfirmed.

Despite being a minority stakeholder, State Grid has been actively involved in ADMIE's affairs. In addition to gaining seats on the ADMIE board of directors, State Grid has installed its own personnel in several key managerial positions, including a vice CEO and CFO. Through this arrangement, State Grid can participate in the daily operations of ADMIE, especially those pertaining to technology innovation and power grid development.<sup>34</sup> The terms of its original purchase also gave State Grid the right of first offer for ADMIE's future share offerings, prompting some suspicion by Greek media that State Grid's minority stake was just a precursor to the company's fuller control of ADMIE.<sup>35</sup>

State Grid's investment in ADMIE was followed by a cascade of Chinese policy banks engaging with ADMIE and the broader Greek energy sector, underlining the connection between SOE deals and access to Chinese state-backed financing. In November 2017, ADMIE and China Development Bank signed a memorandum of understanding (MoU) with the aim of giving "access to new financing lines" as part of the 2017–2019 Greece-China Action Plan.<sup>36</sup> In May 2018, ADMIE signed a €199 million (\$235.0 million) loan contract with Industrial and Commercial Bank of China (ICBC) and Bank of China, offering unspecified financing for ADMIE over a five-year period.<sup>37</sup> Manousos Manousakis, chairman and CEO of ADMIE, described the 2018 loan as "a clear example of the benefits resulting from the presence of State Grid Corporation of China as a strategic investor in ADMIE [that] leads to an acceleration of big projects such as the interconnections of the Cyclades islands and Crete."<sup>38</sup>

Later in 2020, several national Greek banks joined the China Development Bank to issue a €400 million (\$456 million) loan to ADMIE. ADMIE highlighted the loan as the first example of cooperation between Greek and Chinese financial institutions in the Greek market.<sup>39</sup> Along with State Grid's willingness to offer a higher tender for a stake in ADMIE compared to European competitors, the succession of ADMIE deals with Chinese banks represents a benefit of accepting State Grid's bid to become a shareholder.<sup>40</sup> Without access to inside information, it is often impossible to verify whether access to policy bank financing is explicitly promised or offered in major deals with Chinese companies. Whether or not access to policy bank financing was part of the State Grid-ADMIE deal, ADMIE's subsequent access to financing is a latent advantage of dealing with companies in the CCP Inc. ecosystem. International companies and governments, observing a pattern of business deals being followed by increased access to Chinese banks, may well bake in expectations of future access to financing when choosing their preferred partners.

The first stage of State Grid's involvement in Greece—namely, its successful acquisition of a stake in ADMIE—demonstrates multiple key benefits of the CCP Inc. ecosystem. First, State Grid built its market entry on a foundation of deepening bilateral ties and the flagship COSCO investment in Piraeus, expanding its corporate footprint in line with the broader trend of deepening Sino-Greek economic relations. Second, State Grid's massive—and directly state-enabled—scale allowed the company to open further doors with existing European connections (via investments in Portugal and Italy), while its massive capital pool—which would be inconceivable for a company without its degree of domestic government support—enabled it to outbid erstwhile competitors. Finally, the support of other Chinese market players also helped facilitate State Grid's acquisition. This support included the political connections that gave State Grid a platform to speak with a visiting Greek prime minister and the policy banks that opened financing for ADMIE after its deal with State Grid.

Ultimately, State Grid did not achieve all of its goals in Greece. In particular, the company was shut out of cross-Mediterranean interconnector projects and has not succeeded in increasing its shares in ADMIE. However, buoyed by CCP Inc., State Grid succeeded in its core goal of building itself a secure

foothold in Greece's electricity sector—and a foundation from which to pursue further European expansion. Moreover, that success has since fed back into the CCP Inc. ecosystem: following State Grid's investment in ADMIE, other Chinese companies have also initiated major investments in the Greek energy sector. The next section will examine these other Chinese business developments in Greece's energy sector, which—while not officially tied to State Grid—demonstrate how CCP Inc. has successfully broadened the scope of China's energy engagement in Greece to a degree unlikely to have been possible without the network advantages of CCP Inc.

# Broader Chinese Investments in the Greek Energy Sector

The CCP Inc. ecosystem extends beyond the relations of a single SOE to Chinese banks, policy initiatives, and diplomatic officials; a key element of CCP Inc. is the interconnectivity between Chinese firms, including those that are state-owned, those that are privately owned, and those that have “mixed ownership,” with both private and state capital.<sup>41</sup> In the case of Greece’s energy industry, a number of other Chinese companies have invested in the sector, drawing on some of the same advantages of the CCP Inc. ecosystem evident in State Grid’s dealings with ADMIE. Though these business deals have yet to carry out the promises of initial announcements, the investments still demonstrate how different Chinese companies can benefit from the same CCP Inc. ecosystem, tying state bank financing and diplomatic support to commercial projects. Among the Chinese investments in Greece’s energy sector post-2016, two stand out: China’s first major investments in wind and solar power generation in Greece, which are explored in turn below.

Taken individually, different Chinese investments in electric power generation could be seen as independent investments in a new market, unrelated to State Grid’s role in Greece’s electricity transmission system. Viewing the Greek electricity sector more comprehensively, however, reveals indirect connections between State Grid’s expansion and the energy generation ventures of other Chinese companies. Further, different Chinese business deals can be traced back to the same events in the diplomatic timeline of Sino-Greek engagement. In this context, Chinese companies have become increasingly ingrained in the business of both energy generation and energy transmission in Greece since 2016, even though State Grid has not significantly expanded its own footprint further beyond its 24 percent stake in ADMIE.

## Wind Power Cooperation with Copelouzos Group

In November 2017—the year after State Grid won the tender for a 24 percent stake in ADMIE—the Chinese state-owned coal and power giant Shenhua Group (中国神华) purchased a 75 percent stake in four wind parks under development by the Greek Copelouzos Group (Copelouzos).<sup>42</sup> The purchase came after Shenhua Group and Copelouzos signed an MoU in May 2017 for cooperation on green projects, involving a total investment of just over \$3 billion.<sup>43</sup> The MoU was arrived at during Greek prime minister Alexis Tsipras’s visit to Beijing in May 2017, and the November purchase was settled as one of a number of deals signed between Chinese and Greek officials, as well as heads of major enterprises, under the 2017–2019 Greece-China Action Plan.<sup>44</sup>

At the time of Shenhua Group’s purchase of the 75 percent stake in Copelouzos wind farms (via its subsidiary, Shenhua Renewables), the group was also planning to purchase further Copelouzos assets—though initial momentum ultimately fell short, similar to the case of State Grid.<sup>45</sup> Shenhua Group had initially planned to join PPC (the state-owned Greek power company from which State Grid purchased its stake in ADMIE) and Copelouzos as a partner in their joint company, PPC Solar Solutions.<sup>46</sup> The partnership of Shenhua Group would have brought a Chinese shareholder into another of PPC’s subsidiaries, alongside State Grid’s role in ADMIE. In September 2017, Shenhua Group signed an MoU with PPC for cooperation in power generation, renewable energy projects, research and development, gas infrastructure, and more.<sup>47</sup> However, media reported in 2020 that PPC Solar Solutions had agreed to terminate its joint venture with Copelouzos. At the time, the venture was still 49 percent owned by PPC and 51 percent owned by Copelouzos, indicating that Shenhua Group had never gained a leadership stake.<sup>48</sup>

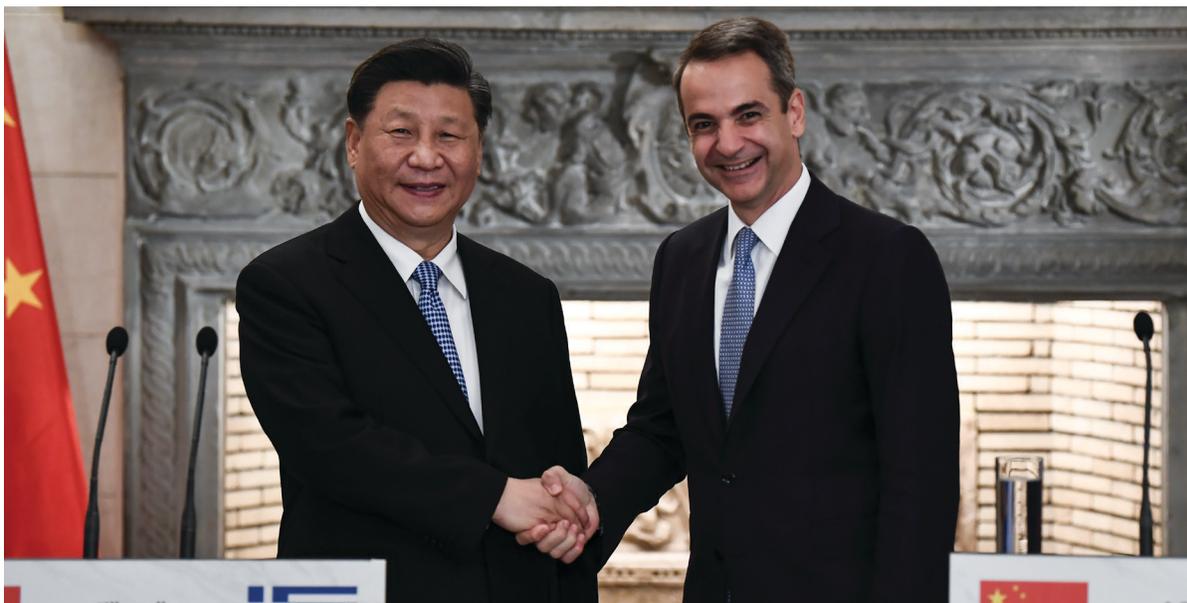
Teasing out Shenhua Group’s cooperation with Copelouzos is further complicated by the fact that in November 2017, Shenhua Group merged with the state-owned China Guodian Corporation (中国国电集团) to form a new company: China Energy Investment Corporation (国家能源集团, aka CHN Energy). In 2018, Copelouzos Group again signed a cooperation agreement with CHN Energy, which has taken over the 75 percent stake in four Copelouzos wind farms.<sup>49</sup> Echoing statements around State Grid’s investment in ADMIE, Copelouzos Group president Dimitris Copelouzos stated at the time: “We are confident that this cooperation will act as a catalyst for the completion of major investment and promote the energy industry of Greece, in addition to the development of cooperation between Greek and Chinese companies in many sectors of the economy.”<sup>50</sup> CHN Energy also expressed interest in acquiring lignite coal-fired power plants in Megalopoli in southern Greece and in Meliti in northern Greece; however, the sale ultimately did not go through.<sup>51</sup> Greek prime minister Kyriakos Mitsotakis’s unexpected announcement in September 2019 that Greece would transition away from coal by 2028 further tamped down Chinese interest in investing in Greek coal mines.<sup>52</sup>

The developments of Shenhua Group’s—and then CHN Energy’s—collaboration with the Copelouzos Group provide additional data points in the larger story of Sino-Greek energy cooperation. Viewed as part of the same CCP Inc. ecosystem as State Grid’s investment in ADMIE, the business deals demonstrate a trend of broadening Chinese involvement in the Greek electric grid. However, Shenhua Group and CHN Energy’s cooperation with Copelouzos Group also featured more promises and statements of intent than actual concrete projects—another trend across recent Sino-Greek energy ties.

## China’s First “Greenfield” Investment in Greek Solar Power: The MINOS Plant

Further data points for the trend of expanding engagement in the energy sector can be found in China’s efforts to build solar power facilities in Greece, along with further instances of business agreements that have yet to translate into complete projects. In 2019, on the heels of Shenhua Group’s investment in Greek wind energy, several Chinese companies—including state-owned bank ICBC—undertook the financing, design, and construction of Greece’s first concentrating solar power (CSP) plant, the MINOS 50 MW plant on the island of Crete. The MINOS solar plant marked the first “greenfield” project undertaken by Chinese companies in Greece and was hailed by Chinese media as a model for the integration of finance and industry in China’s international investments.<sup>53</sup> Cosin Solar (可胜技术), one of the Chinese companies contracted for the project, described MINOS as “the first CSP project whose whole life cycle is totally designed, manufactured, constructed, financed, and operated by Chinese companies in the international market.”<sup>54</sup>

The plant is, in fact, a joint venture between UK-based Nur Energie and Greek oil and energy firm Motor Oil Hellas, with Greek firm Prenecon taking part in construction.<sup>55</sup> However, a consortium of Chinese companies, led by China Energy Engineering Group (中国能建葛洲坝国际集团) and Cosin Solar, were selected as the engineering, procurement, and construction contractors for the project, while ICBC provided project financing.<sup>56</sup> This consortium includes a mix of both state-owned firms (like China Energy Engineering Group) and privately owned firms (like Cosin Solar). In terms of political promotion, the MINOS solar plant was given prime billing, both as a result of the 17+1 China-Eastern Europe cooperation framework and as a model BRI project.<sup>57</sup> In the highest possible sign of diplomatic support, the chairmen of ICBC, China Energy Engineering Group, Nur Energie, and the CEO of Prenecon signed the MINOS agreement in front of Xi Jinping and Prime Minister Mitsotakis.<sup>58</sup>



*Chinese president Xi Jinping shakes hand with Greek prime minister Kyriakos Mitsotakis. During Xi’s 2019 visit to Greece, Greek and Chinese officials signed 16 bilateral deals, including the agreement for the MINOS solar project.*

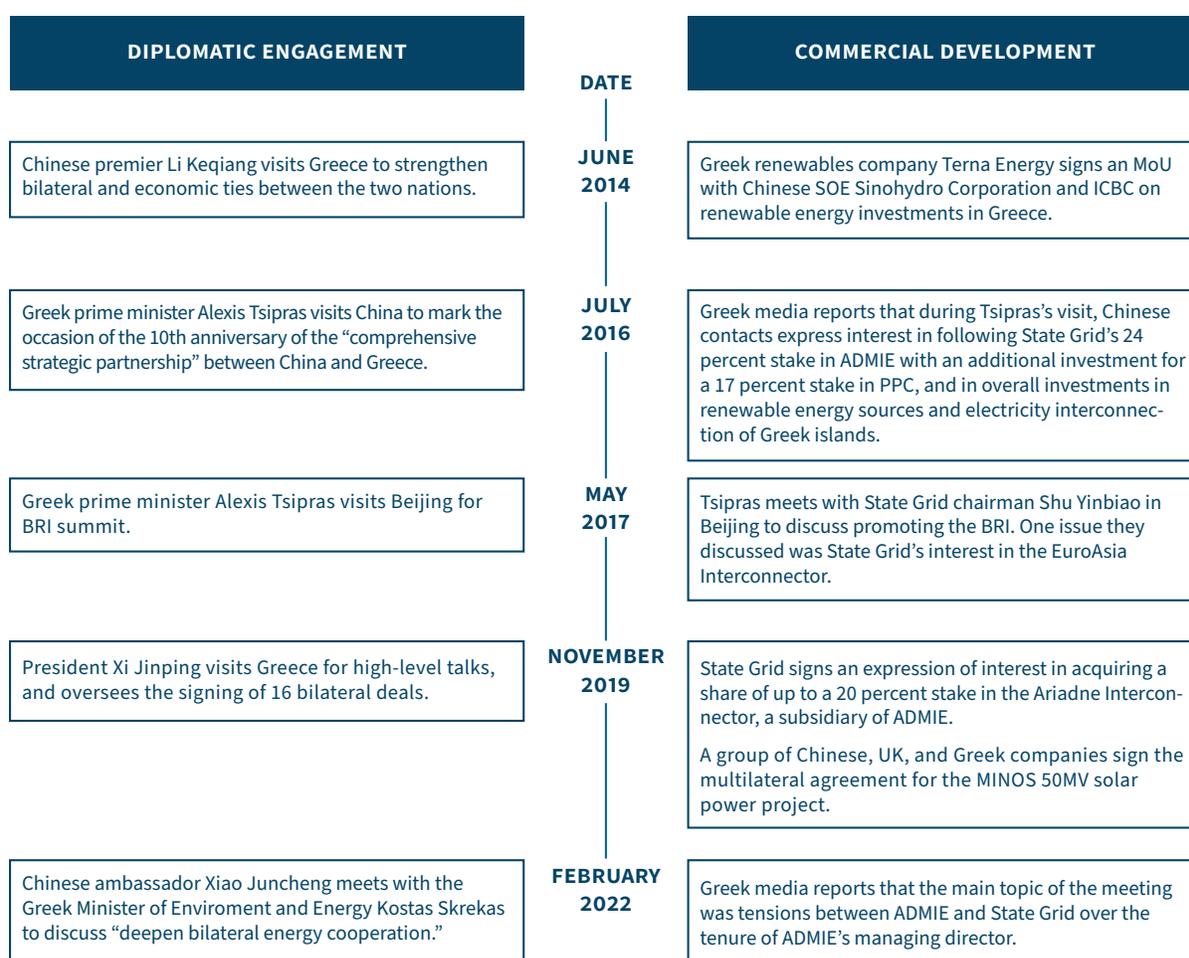
Photo Credit: Aris Messinis - Pool /Getty Images

## The Trend of Diplomatic Support for Chinese Projects in CCP Inc.

CHN Energy’s wind power deals and the MINOS solar project, though yet to be completed, demonstrate several key elements of the CCP Inc. ecosystem. The interplay of financing by state banks, the collaboration between public and private Chinese companies, and the provision of diplomatic support for the project all represent conduits of state support. In particular, the element of diplomatic support for specific industrial projects is prominent in Sino-Greek business relations, as outlined in Figure 3. The strong diplomatic attention to business deals is an important element of the CCP Inc. ecosystem, and often the most visible testament to state support for commercial projects.<sup>59</sup>

Figure 3: Chinese Diplomatic Engagement with the Greek Energy Sector

Examples of different types of diplomatic support for CCP Inc. business ventures in the Greek energy sector



Source: Authors’ research based on multiple sources. Please see the endnotes for complete references.

In addition to CHN Energy-Copelouzos wind cooperation and the MINOS solar plant, a number of other Chinese companies have engaged in energy sector projects or cooperation agreements, including China Machinery Engineering Corporation (CMEC), CMEC subsidiary SUMEC Group, and China

Three Gorges Corporation (CTG).<sup>60</sup> Though these deals were not all tied directly to State Grid, they are important data points for understanding successes—and shortfalls—of overall engagement by Chinese companies in the Greek energy sector. The depth and breadth of Chinese companies' engagement with Greece's grid has risen significantly over the past decade with aid from the CCP Inc. ecosystem's combination of state financing, diplomatic advocacy, and connectivity between Chinese companies.

That said, Chinese investment in the Greek energy sector has also hit numerous stumbling blocks. Shenhua Group's cooperation with the Copelouzos Group resulted in an important wind energy investment but has yet to live up to promises of broader joint projects, and a number of other deals involving Chinese companies in the Greek energy sector have failed to move forward.<sup>61</sup> State Grid, too, has faced difficulties in expanding its role in Greece beyond its initial investment in ADMIE. These challenges illuminate how the CCP Inc. ecosystem can also generate constraints for the firms within it. The connections between diplomatic support, state financing, and SOEs and private Chinese companies evident in the Greek energy sector may have supported the projects' development, but they also reinforced perceptions of disparate deals as interconnected and closely tied to the Chinese state. The third chapter of this report reflects on how these interrelated strengths and liabilities of CCP Inc. have impacted State Grid's efforts to expand its footprint beyond its initial investment in ADMIE.

# The Strengths and Constraints of SOEs in the CCP Inc. Ecosystem

## Examining SOEs as Policymaking Actors in CCP Inc.

The Xi Jinping era has seen the Chinese Communist Party (CCP) increase its reach into the private sector, blurring lines between privately owned and state-owned companies; meanwhile, the CCP has also endeavored to tighten its control over SOEs (an effort State Grid continues to resist). On the other side of the equation, efforts by State Grid and other Chinese SOEs to gain footholds in the Greek electric grid underline the leading role that SOEs continue to play in China’s economic statecraft. Notably, China’s SOEs have been growing stronger over time thanks to a decades-long trend of consolidation, which has seen major Chinese SOEs merged into even more massive conglomerates—one such case being the merger of Shenhua Group and the Guodian Corporation, noted in Chapter 2. The result has been that China’s surviving SOEs are increasingly stable and well resourced, with the capability to undertake a range of global infrastructure, energy, and technology projects. Unlike either private multinationals that are beholden to shareholders and quarterly results cycles or foreign SOEs that are focused on national service provision (e.g., Amtrak), China’s SOEs can bring unparalleled scale to international projects.<sup>62</sup>

State Grid’s own involvement in the Greek energy sector reflects both state and commercial interests, shedding valuable insight on the interplay between SOEs and the government in the broader CCP Inc. ecosystem. First, State Grid’s international expansion strongly aligns with the Chinese government’s policy goals—a fact it has used to bolster its own domestic political position. Along with major national initiatives such as the BRI and the “Going Out” strategy, State Grid plays a leading role in carrying out Xi’s GEI initiative. But State Grid is far from merely a vehicle for implementing Beijing’s policies; as noted in Chapter 1, State Grid launched its European strategy in large part to pursue the higher profits offered by international projects. State Grid regularly discusses the profit motives of ensuring “stable income” from international assets in its corporate

documents—in addition, of course, to comments on the need to support national foreign policy initiatives like the BRI.<sup>63</sup>



*State Grid's logo, as displayed by a vehicle battery recharging station in Beijing.*

Photo credit: Ed Jones/Staff via Getty Images

Despite its independent strength and ability to push back on certain domestic reform efforts, even State Grid remains subject to important conduits for Chinese state influence. Among the most important is, quite simply, Beijing's ability to support State Grid's pursuit of international business—particularly through the likes of diplomatic engagements and state policy bank financing. For such support to materialize, State Grid must play within certain political boundaries and ensure its efforts genuinely support Beijing's goals. More broadly, Beijing directly incorporates SOEs into its national policy objectives, creating commercial incentives to feed into policymaking in Beijing and try to shape the policy landscape in favorable ways. While much China scholarship has characterized SOEs as politically passive entities under state control, scholars studying the pluralization of political decisionmaking in China advocate for greater attention to, and analysis of, SOEs' role in policy planning and government decisionmaking.<sup>64</sup> The case of State Grid and other Chinese companies' entry into the Greek power sector strongly supports the need for more nuanced and detailed understanding of SOE-government feedback loops.

To that point: State Grid has a history of influencing policy debates within China. As outlined in Chapter 1, over the past 20 years, State Grid has expanded its assets contrary to government reform efforts, and over the past decade it has become a major obstacle to government efforts to reduce carbon emissions. Meanwhile, the company has also injected its own interests into policy initiatives. For example, within China in 2000–2009, State Grid promoted UHV technology—at the time untested—to solve the policy issue of power shortages. UHV was a solution that made far more sense from a profit-making perspective than a public policy perspective: namely, State Grid could profit from becoming a standard-setter in a cutting-edge technology, though in practice UHV would serve as a distraction—and take finite financing and resources—from critical demand-side reforms that policymakers rightly saw as the most important solution at hand. State Grid pushed its UHV technology through government meetings, company investments, and company-funded research and feasibility studies, ultimately selling the solution to relevant policymakers at the National Development and Reform

Commission (NDRC), State-owned Assets Supervision and Administration Commission (SASAC), and the State Environmental Protection Administration (the predecessor of today's Ministry of Ecology and Environment).<sup>65</sup> Just as State Grid promoted its own interests into domestic UHV policy, the firm worked to influence foreign policy efforts in favor of its international interests.

Meanwhile, the strong connection between State Grid and the GEI initiative provides a clear picture of the other side of the policy feedback loop connecting commercial and political incentives. In its own company reports, State Grid is explicit in stating that one of its main goals is to serve the CCP's political and foreign policy agenda, particularly the BRI and the "Going Out" strategy, as well as to help other Chinese firms establish themselves in the international market.<sup>66</sup> State Grid's close association with the GEI initiative as the force behind GEIDCO also provides a conduit into a more specified policy initiative.

The GEI initiative serves China's industrial policy both commercially, by promoting specific technologies that would benefit Chinese companies, and diplomatically, by offering an avenue for China to promote its climate leadership.<sup>67</sup> While the GEI initiative provides a policy umbrella for State Grid's international ventures—along with the BRI and the "Going Out" strategy—State Grid, in turn, plays an important role in promoting the initiative and guiding its specific goals. The GEI initiative, in turn, serves Chinese companies' commercial interests by driving market interest in certain grid technologies, such as UHV transmission lines. As most of the world's UHV lines are in China and were constructed by Chinese companies, China holds a key competitive advantage over the technology.<sup>68</sup>

In its own words, State Grid states that "in implementing the national "going out" development strategy, [State Grid Corporation of China] has clearly defined the strategic goal of "going out" with UHV technology, and has striven to promote the global application of UHV transmission technology, specifications, and standards."<sup>69</sup> Given this synergy of commercial and policy interests, both the pursuit of business gains and the pursuit of CCP goals can credibly be called driving forces behind State Grid's overseas investment strategy.

State Grid's investment in ADMIE was more than just an individual business deal; it built on years of Chinese efforts to make inroads into the Greek market, starting with COSCO's investment in the port of Piraeus. The completion of the COSCO deal opened doors for State Grid representatives to meet with Greek officials in bilateral diplomatic events and allowed ADMIE to access Chinese bank financing.<sup>70</sup>

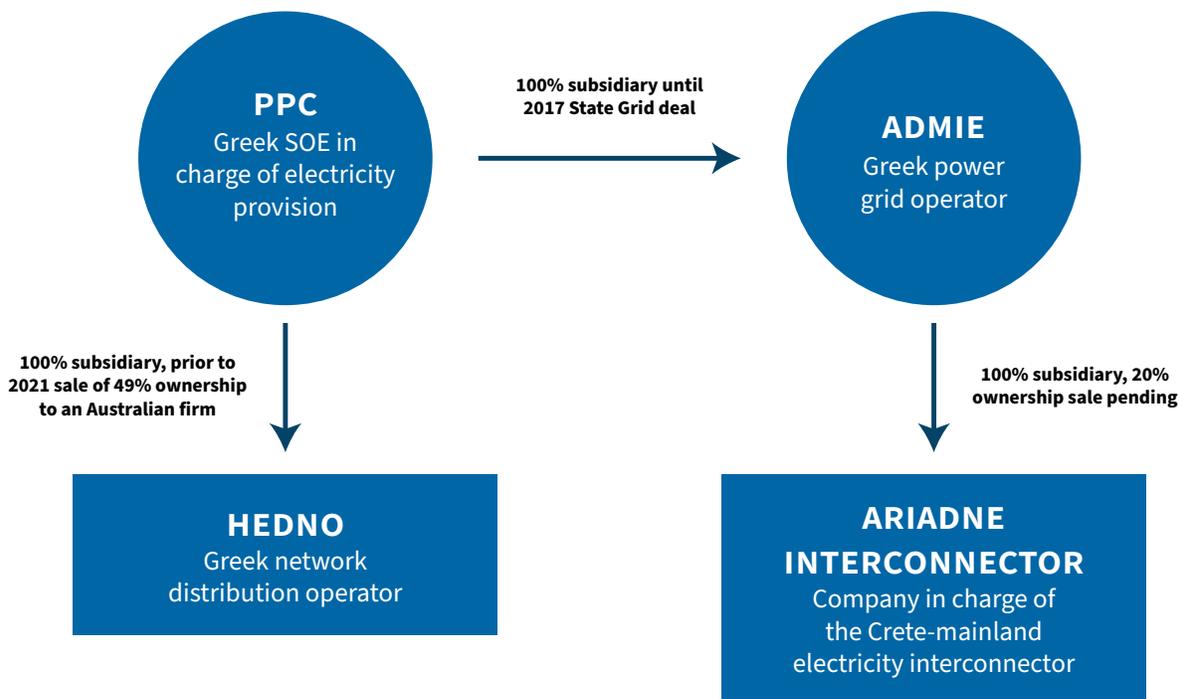
However, the headwinds facing State Grid's role in ADMIE illuminate how the SOE's involvement in the CCP Inc. ecosystem also served as a constraint. The same connections to diplomatic support, financing, and other Chinese companies that advance Chinese business interests in the CCP Inc. ecosystem also reinforce overseas perceptions that all Chinese companies—even private ones—are tightly connected with each other and, most importantly, with the Chinese government. This, in turn, has at times piqued suspicions that Chinese companies' business activities are simply extensions of political activities—catalyzing pushback against Chinese market actors and the projects they pursue.

## **Constraints in CCP Inc.: State Grid's Challenges in Expanding Its Footprint in Greece**

State Grid's acquisition of stakes in ADMIE, and ADMIE's subsequent access to Chinese bank financing, initially indicated momentum for State Grid's ambitions to expand its role in Greece's electric grid. But over the longer term, ADMIE's relationship with its minority shareholder became more complicated.

While State Grid’s initial interest in ADMIE demonstrated a broader vision for investments in grid interconnectors and renewable energy, its ability to execute this vision has run up against Greek pushback to Chinese investments and conflict of interest concerns. Most notably, since 2017, State Grid has sought unsuccessfully to expand its share in ADMIE; been thwarted in efforts to gain additional stakes in ADMIE-related subsidiary companies; and ultimately lodged protests against ADMIE over the tenure of its current CEO. While the CCP Inc. ecosystem helped State Grid enter the Greek power market, it has since constrained its ability to expand.

Figure 4: PPC, ADMIE, and Their Subsidiaries



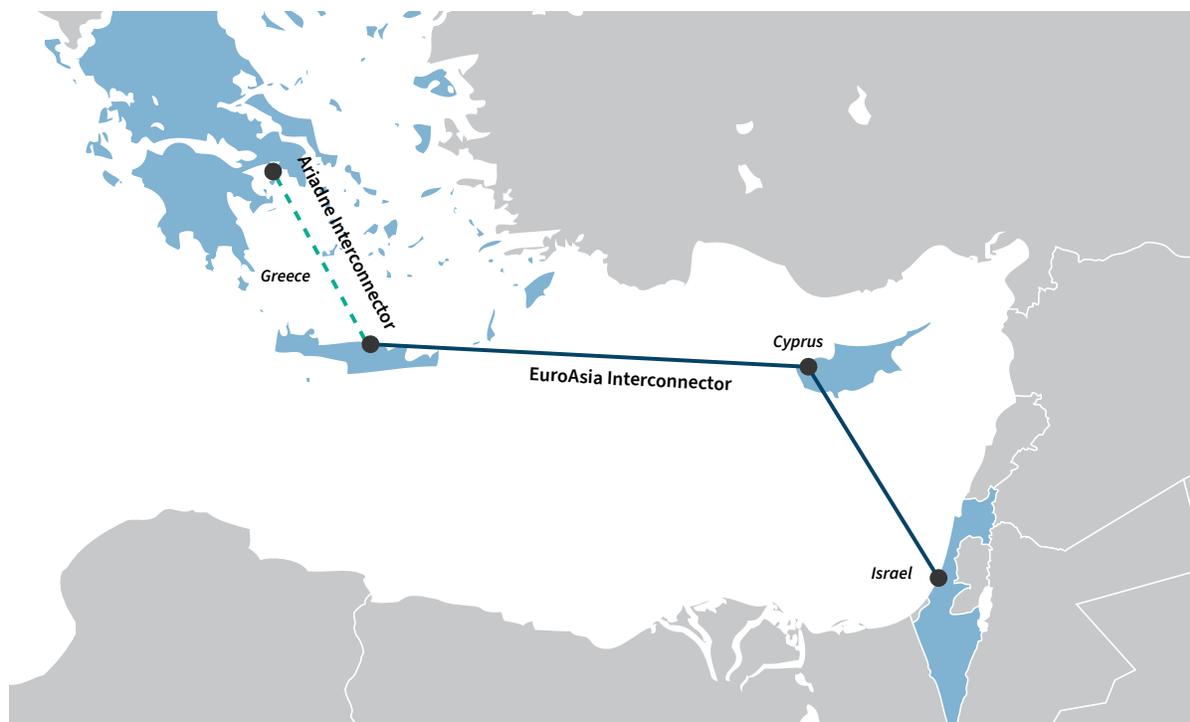
Source: Authors’ research based on multiple sources cited throughout the report. The label for the PPC-HEDNO relationship is from Philip Chrysopoulos, “Greece Sells 49% of Public Power Corporation HEDNO to Australian Company,” Greek Reporter, September 11, 2021, <https://greekreporter.com/2021/09/11/hedno/>.

During Xi’s November 2019 visit to Greece, State Grid directly expressed interest in expanding the company’s stake in ADMIE.<sup>71</sup> In 2020, however, the Covid-19 pandemic stalled talks between Beijing and Athens, and in the two years since, no sale of additional shares has been completed.<sup>72</sup> In January 2021, Greece barred State Grid from participating in the prospective sale of a 49 percent stake in the Greek distribution network operator HEDNO (Greek: DEDDIE), another subsidiary of ADMIE parent company PPC, due to concerns over conflict of interest—concerns driven by the perception that connections between Chinese entities (the other party being undisclosed) were too strong, which prompted State Grid to lodge a formal complaint.<sup>73</sup> In an instance of CCP Inc. connectivity backfiring on Chinese companies, another undisclosed Chinese company was also barred from participating in the HEDNO tender, an episode that European researchers have described as “precedent” for Chinese SOEs being treated as connected rather than separate entities.<sup>74</sup> The perception of interconnection will remain a structural risk for Chinese companies’ investments abroad—particularly where these connections are perceived as posing not only market risks, but also political risks due to connections with, and influence by, the Chinese government.

As of this writing, State Grid technically remains in contention to gain a stake in the ADMIE subsidiary Ariadne Interconnector, which is responsible for connecting the island of Crete to the grid of mainland Greece. The tender process has dragged on for years, ever since State Grid first expressed interest in the Ariadne Interconnector during Xi's visit to Greece in November 2019. State Grid's ability to participate in the Ariadne Interconnector so far is particularly significant due to the project's links to the broader EuroAsia Interconnector, a planned linkage of Greece to the grids of Cyprus and Israel.

According to Greek media reporting ahead of the State Grid-ADMIE deal, an important aspect of State Grid's interest in ADMIE ties to Greece's planned position in new electric interconnector lines that would link international electric grids.<sup>75</sup> The European Union has long worked toward improving cross-border electricity connection for a more secure, reliable, and sustainable electricity supply, and Greece itself has plans to connect the power grids across its islands.<sup>76</sup> In 2017, State Grid had expressed its support for the EuroAsia Interconnector, a major electricity interconnector between Israel, Cyprus, Greece, and Europe—labeled an “electricity highway”—connecting the three countries' grids. The project is aimed at remedying the isolation of Cyprus's grid from the rest of the European Union, bolstering energy security for all three nations and as well as Europe's ability to support a green grid, as discussed in Chapter 1.<sup>77</sup>

Figure 5: Proposed Route of the EuroAsia Interconnector



Source: EuroAsia Interconnector homepage, <https://euroasia-interconnector.com/>; Ariadne Interconnection homepage, <https://www.ariadne-interconnection.gr/en#exelixi>.

However, State Grid's interest in the EuroAsia Interconnector has not still translated into a significant role in the project. In 2018, the section of the interconnector that ADMIE was involved in was ultimately spun off into a national project, the Ariadne Interconnector.<sup>78</sup> The Ariadne Interconnector will connect the large island of Crete to mainland Greece and Europe in order to avert electricity shortages on Crete and take advantage of Crete's favorable environment for renewable power sources.

Though State Grid expressed interest as far back as 2019 in acquiring up to 20 percent of shares in Ariadne (a 100 percent subsidiary of ADMIE), at the time of this report's publication, the deal has yet to go through.<sup>79</sup> In June 2022, the European Commission and the Greek Regulatory Authority for Energy (RAE) approved the tender for the sale of a stake in Ariadne, after years of delays because State Grid's involvement with ADMIE required Greece's energy regulator to turn to the European Commission for a green light.<sup>80</sup> Some media reports on the matter have described concerns from the European Commission about further Chinese involvement in strategic assets, but the full details behind the delays have not been publicly explained.<sup>81</sup>

In another instance of tension between State Grid and ADMIE, in February 2022, the tenure of the current president and managing director of ADMIE, Manousos Manousakis, was renewed, despite protests by State Grid.<sup>82</sup> According to Greek media reports, State Grid's complaints stem from displeasure with its lack of participation in Ariadne's contractor agreements and the technical side of the project. The issue was even reportedly the subject of discussion during an April 2022 meeting between Chinese ambassador Xiao Juncheng and Greece's minister of energy, Kostas Skekras.<sup>83</sup> The Ariadne Interconnector is the largest electricity project that Greece has taken on; these reports suggest State Grid is dissatisfied with its small role in the project. However, given that media reports cite EU concerns about China's control over Greece's electric grid as one reason that Ariadne was spun off from the EuroAsia Interconnector in the first place, State Grid's efforts to increase its control over the project could well prove counterproductive.<sup>84</sup>

This reflection on CCP Inc. in Greece's energy sector suggests that the source of the ecosystem's strengths—namely, its interconnectedness—is also the source of considerable long-term risks and potential liabilities for its constituent enterprises. State Grid's ties to the Chinese state and its prominent role within the CCP Inc. ecosystem make it subject to suspicions directed at the Chinese state capitalist apparatus more broadly. Wherever international perceptions of and policies toward the Chinese state continue to sour, it will become increasingly difficult for Chinese companies to balance the strengths and liabilities of their involvement in the CCP Inc. ecosystem—in which, at this stage, they have little choice but to be perceived as participating.

# Conclusion

The evolution of Chinese companies' involvement in the Greek energy sector underscores both the strengths and limitations of the CCP Inc. system. The case of Chinese investment into Greece's energy sector, as well as COSCO's preceding investments in Piraeus, shows how the CCP Inc. ecosystem has both supported and hindered the foreign business ventures of private, hybrid, and state-controlled Chinese companies. The specific case of State Grid provides insight into a critical type of actor in the CCP Inc. ecosystem: namely, a major SOE that both implements and informs policy, and thereby a key player in Chinese state capitalism's ability to exercise global reach.

Among the greatest strengths of CCP Inc. is the capacity for state support to overcome geopolitical barriers that private firms would be hard-pressed to hurdle alone. From former prime minister Alexis Tsipras's meetings with State Grid officials during visits to Beijing, to Xi Jinping's flagship 2019 Greece visit, diplomatic support for Chinese commercial projects in Greece has been strong.

Another great strength of CCP Inc. is its capacity to leverage public funding for ventures that might struggle using private funding alone—and, at times, to open public funding opportunities that simply would not otherwise exist. For example, ADMIE's ability to access Chinese policy bank financing in the wake of State Grid's investment underlined the interplay between Chinese state financiers and enterprises. This advantage is also not mutually exclusive with other advantages, such as diplomatic support: as explored in Chapter 2, many Chinese companies—both state-owned and private—simultaneously benefited from diplomatic support, bank financing, and their connections with each other.

As for State Grid itself, the company's original capacity to win a stake in ADMIE was enabled by both its existing footprint in Europe and its deep pockets, bolstered by access to cheap government policy bank funding. As a massive and complex SOE, State Grid can both draw on the support of the Chinese

state and simultaneously lobby to embed its own commercial interests in official policy. The company's own corporate strategy underlines that it is an enterprise with global ambitions and—with the backing of CCP Inc.—the state-empowered scale to pursue them.

However, the case of the Greek energy sector also reveals constraints on State Grid and other CCP Inc. actors. Misgivings about Chinese control over critical electricity infrastructure ultimately limited State Grid's ability to embed itself in critical international electricity interconnectors. In other words, the very same strong state support that helped propel State Grid's initial investment in ADMIE, as well as the many other Chinese investments in the Greek energy sector, became a liability by making commercial Chinese actors difficult to distinguish, politically, from the Chinese state.

One key mission of the CCP Inc. project is to examine how the United States and market economy allies can effectively respond to new challenges posed by China's evolving state capitalist system. The case of Greece—a market economy with a democratic system—provides insight into how concerns over the risks of CCP Inc. can limit its reach. European misgivings about China's role in critical electricity infrastructure appear to have played a key role in preventing State Grid from expanding its stake in ADMIE and gaining involvement in the EuroAsia Interconnector, though neither Greek officials nor corporate documents state it so directly.

On the other hand, Greece's energy sector was able to genuinely benefit from Chinese investments in renewable energy at a time of national financial difficulty. China's leading position in renewable energy technologies puts it in a position to play a key role in proliferating much-needed clean energy infrastructure. As countries around the world pursue a transition to clean energy, both the CCP Inc. ecosystem and the comparative advantages of Chinese firms in various clean energy technologies put China in a highly competitive market position. Understanding how actors within the CCP Inc. ecosystem interact and play off of—and into—Chinese government policy will be critical for countries that turn to China for the technology and infrastructure necessary for the energy transition.

# About the Authors

**Briana Boland** is a research associate for the Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), supporting the program's research on party-state governance and evolving political discourse in China. Prior to joining CSIS, Briana worked as a political risk analyst at Dentons, where she researched China's economic policy and shifting trends in U.S.-China relations for firm leadership and international clients. She holds a BA in international studies with minors in economics and Chinese language from Fordham University.

**Cory Combs** is an associate director at Trivium China, where he covers the intersection of climate and industrial policy for a range of public and private sector clients. He also produces Trivium China's Net Zero Weekly newsletter, which analyzes key developments shaping China's decarbonization outlook. Cory holds a BS in physics from Yale University and an MA from the Johns Hopkins School of Advanced International Studies, where he studied Chinese politics and energy economics. He has published peer-reviewed research in *Advances in Applied Energy* and contributed analysis of China's climate and industrial policy to AP, Reuters, the *Wall Street Journal*, Bloomberg, S&P Global, Nikkei, and *National Geographic*, among others. Prior to joining Trivium, Combs was a consultant at the U.S. Department of Energy (DOE), where he conducted risk analysis for the DOE Loan Programs Office's \$20 billion portfolio of investments in energy tech commercialization projects.

**Jude Blanchette** holds the Freeman Chair in China Studies at CSIS. Previously, he was engagement director at the Conference Board's China Center for Economics and Business in Beijing, where he researched China's political environment with a focus on the workings of the Communist Party of China and its impact on foreign companies and investors. Prior to working at the Conference Board, Blanchette was the assistant director of the 21st Century China Center at the University of California, San Diego. Blanchette has written for a range of publications, including *Foreign Affairs*, *Foreign*

*Policy, the Wall Street Journal, the Washington Post, the Washington Quarterly, and War on the Rocks.* His book, *China's New Red Guards: The Return of Radicalism and the Rebirth of Mao Zedong*, was published by Oxford University Press in 2019. Blanchette is a public intellectual fellow at the National Committee on United States-China Relations and serves on the board of the American Mandarin Society. He is also a senior advisor at Martin+Crumpton Group, a geopolitical risk advisory based in Arlington, Virginia. He holds an MA in modern Chinese studies from the University of Oxford and a BA in economics from Loyola University in Maryland.

**Andrew Polk** is a senior associate (non-resident) with the Freeman Chair in China Studies at CSIS and is the cofounder and head of economic research at Trivium China, a Beijing-based strategic advisory firm. Before founding Trivium, Polk was China director at Medley Global Advisors, where he advised asset managers and hedge funds on developments in China's economy and financial markets. Previously, Mr. Polk was the resident China economist at the Conference Board's China Center for Economics and Business, where he conducted economic analysis on the Chinese economy for corporate clients. Polk is the coauthor of *The Long, Soft Fall in Chinese Growth* (The Conference Board, 2015) and maintains a deep network of professional contacts in the official, academic, and business communities in China—built over a decade of living in China and working on China issues. Other research positions he has held include stints at the Institute of International Finance and the U.S. Department of Treasury. He holds an MA in economics and international relations from the Johns Hopkins School of Advanced International Studies.

# Endnotes

- 1 “CCP Inc.: The New Challenge of Chinese State Capitalism,” Center for Strategic and International Studies, <https://www.csis.org/programs/freeman-chair-china-studies/ccp-inc>.
- 2 For an example of “China Inc.,” see Ted Fishman, *China, Inc.: How the Rise of the Next Superpower Challenges America and the World* (New York: Scribner, 2005).
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### Figure 3: Chinese Diplomatic Engagement with the Greek Energy Sector

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