

EDF eyes Constellation bid

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EDF is considering a bid for Constellation Energy, its US partner, even as it prepares finally to set the seal on a sweetened £12bn (€15bn) offer for British Energy, the UK's nuclear operator.

British Energy's board met on Monday and concluded that it was expected to be able to recommend the EDF offer. However, some technical details remain to be resolved and the deal could still collapse again at the last minute, as it did in July.

Meanwhile, the French group's board met in Paris yesterday to discuss the group's options for further investment in the US, where a crisis of confidence has sent its US partner's shares crashing in the past few weeks. EDF earlier this month doubled its stake to 9.51 per cent in Constellation, which was to have been its entry into the potentially lucrative US nuclear relaunch.

People close to the situation said EDF had not yet decided whether to bid for the group, which has an estimated enterprise value of \$10bn (€6.9bn). Constellation yesterday confirmed that it was in advanced talks with a potential buyer, and an announcement on a takeover or asset sale could be imminent.

But EDF seems set to go ahead with British Energy as Invesco Perpetual, the UK group's largest institutional shareholder with about 15 per cent of the free float, was ready to accept the more generous terms offered by the French group, people with knowledge of the deal said. Opposition led by Invesco and M&G, which has about 7 per cent of the shares, stymied hopes of a deal seven weeks ago, when the shareholders argued that EDF's offer of 765p a share in cash undervalued the company.

British Energy owns most of Britain's nuclear power stations and most of the best sites for building new ones.

EDF's offer in July had included an alternative of 700p in cash plus contingent value rights – financial instruments tied to the future performance of British Energy's power stations, that will pay out more in the event of higher output or electricity prices.

Invesco, which has taken the view that it expects British Energy's future performance to be very strong, is being won round by more generous terms for these CVRs, according to people close to the talks, with caps on the potential payments being lifted.

British Energy's shares closed down 5.5p at 715.5p yesterday.

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