Foreign Direct Investment

in U.S. Energy

in 1999

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Contents

Foreign Affiliates' Role in U.S. Energy Industry Operations 1
Foreign Direct Investment: The International Transactions Accounts 8
U.S. Companies' Direct Investment Abroad in Energy 14
Conclusion 19

Tables

1. Net Production of Petroleum (Crude Oil and Natural Gas Liquids) and Dry Natural Gas in the United States by Foreign-Affiliated Companies, 1998-1999 3
2. U.S. Refinery Operations of Foreign-Affiliated Companies, 1998-1999 4
3. Branded Retail Outlets and Total Gasoline Sales in the United States by Foreign-Affiliated Companies, 1998-1999 . 5
4. U.S. Coal Production by Foreign-Affiliated Companies, 1998-1999 6
5. U.S. Capital and Exploratory Expenditures of Foreign-Affiliated Petroleum and Natural Gas Companies, 1998-1999 7
6. Selected Financial Information for Foreign-Affiliated U.S. Petroleum and Natural Gas and Coal Companies, 1998-1999 9
7. FDI Position in the U.S. Petroleum and Natural Gas Industry by Selected Countries (Historical-Cost Basis), 1998-1999 11
8. U.S. Direct Investment Abroad Position in Foreign Petroleum and Natural Gas Industry, by Selected Countries (Historical-Cost Basis), 1998-1999 17

Illustrations

1. FDI Affiliates' Share of U.S. Production of Oil, Gas, Coal, Electricity and of U.S. Refining Capacity, 1980-1999 2
2. Production of U.S. Coal by Foreign-Affiliated U.S. Companies, 1981-1999 7
3. FDI Position in U.S. Energy Industries (Historical-Cost Basis), 1980-1999 12
4. Index of FDI Position in Petroleum and Natural Gas and All Industries (Historical-Cost Basis), 1980-1999 13
5. Shares of FDI Position in U.S. Petroleum and Natural Gas and All U.S. Industries for Countries with Largest FDI Position in All Industry, 1999 14
6. Net FDI Capital Inflows for Energy and All Industries (Without Current-Cost Adjustment), 1994-1999 15
7. The DIA Position in Foreign Energy Industries and All Foreign Industries (Historical- Cost Basis), 1994-1999 16
8. U.S. Direct Investment Abroad Position in Foreign Oil and Gas Industry and Foreign Direct Investment Position in U.S. Oil and Gas Industry, 1980-1999 18
9. Net DIA Capital Outflows to Energy Industries (Without Current-Cost Adjustment), 1994-1999 19

Foreign Direct Investment in U.S. Energy in 1999

This report presents an analysis of foreign direct investment in U.S. energy resources and companies in 1999.[1] It describes the role of foreign ownership in U.S. energy enterprises with respect to net investment (including net loans), energy operations, capital investment, and financial performance. For a discussion of acquisitions and divestitures of U.S. energy assets by foreign investors in 1999, see "U.S. Energy Assets Attract Foreign Investment in 1999."[2] Additionally, since energy investments are made in a global context, the report examines patterns of direct investment in foreign energy enterprises by U.S.-based companies.

Foreign direct investment (FDI) is the ownership or control of 10 percent or more of a U.S. business (or asset) by a foreign entity.[3] In this report, the U.S business is termed a foreign-affiliated company or "FDI affiliate"; the foreign owner is the "parent." FDI is one measure of the continuing influence or control of foreign investors over the management and disposition of U.S. assets of production. However, while holding 10 percent or more of a company often may constitute control of that company, it does not necessarily do so.[4] The determination of control is a complex and often subjective process in which many factors other than the percentage of ownership must be considered.

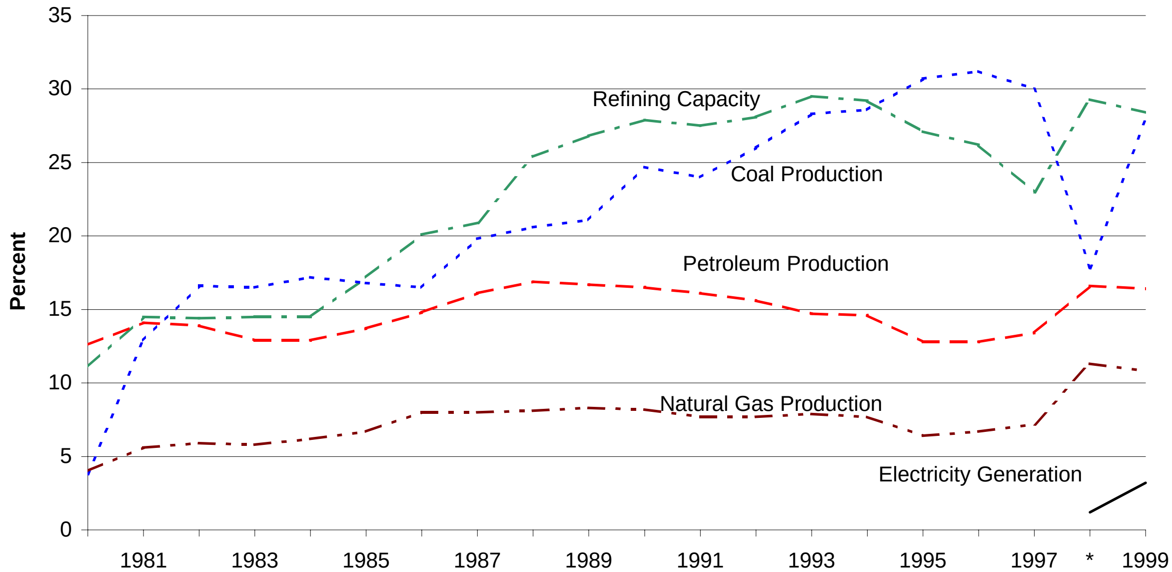
Foreign Affiliates' Role in U.S. Energy Industry Operations

The level of foreign-affiliated companies' involvement in the different sectors of the U.S. energy industry varies substantially. The FDI affiliates' shares of U.S. petroleum and natural gas production and refinery capacity declined slightly in 1999, after rising in 1998 (Figure 1). In contrast, the FDI affiliates' share of coal production increased substantially in 1999 after falling substantially in 1998. Because the first foreign purchase of a large U.S. utility occurred in 1999, foreign-affiliated companies made their first notable inroads into U.S. electric power operations that year. FDI affiliates' share of uranium production also rose notably in 1999.

FDI Affiliates' Petroleum and Natural Gas Operations Change Little

Oil (crude oil and natural gas liquids) and gas (dry natural gas) production for the FDI affiliates in 1999 were down slightly, but production by all companies in the United States also declined, moderating the decline of production shares for the affiliates (Table 1). Oil and gas production by FDI affiliates declined 4 and 3 percent, respectively, in 1999, oil to 1,334 thousand barrels per day and gas to 2,087 billion cubic feet. The two largest producers, BP Amoco and Shell Oil, had small declines in oil production and small increases in gas production. Among the smaller producers, BHP Petroleum (Americas) had proportionally large increases in oil and especially gas production, in large part because it drilled more development wells in the field it operates in the Gulf of Mexico. Meridian Resource has a relatively large increase in its oil production, in part because 1999 was the first full year of production from the properties acquired indirectly from Shell Oil the previous year. Chieftain Development International had a proportionally large increase in oil production, largely in the South Marsh Island area of the Gulf, where several new wells were brought on-line. Production by TotalFina's (now TotalFinaElf, France) U.S.

Figure 1. FDI Affiliates' Share of U.S. Production of Oil, Gas, Coal, Electricity and of U.S. Refining Capacity, 1980-1999



*In 1998, the data sources for refining capacity and coal production changed; electricity generation is estimated.
Sources: **1998-1999**: Tables 2, 3, and 5 and report text. **1980-1997**: Energy Information Administration, "Foreign Direct Investment in U.S. Energy in 1998," http://www.eia.doe.gov/emeu/finance/fd/fdi98.pdf, Figure 3.

subsidiaries showed a relatively large decline, especially in oil, because several of its producing properties were sold in 1998 and 1999, including an entire subsidiary. Enterprise Oil Gulf of Mexico, a subsidiary of Enterprise Oil (United Kingdom), began production in the United States in 1999.

In refinery operations, the only notable change for the FDI affiliates in 1999 was that Equilon sold its El Dorado, Kansas refinery, reportedly as part of its attempt to rationalize the various operations that it acquired when the company was formed in 1998. The 100-thousand-barrels-per-day refinery was sold to Frontier Oil for $170 million; the deal included a contingency payment of up to $40 million from Frontier to Equilon if the cash flow from the refinery were to exceed certain thresholds, an off-take agreement for some of the refinery's output with an affiliate of Equilon, and a crude-oil supply agreement. The loss of the refinery led to a small decline in FDI-affiliated refinery capacity and their share of the total U.S. refining capacity (Table 2).

Marketing operations for the FDI affiliates were also little changed in 1999 (Table 3). The most notable variation was the decline in the number of outlets affiliated with Citgo Petroleum, a subsidiary of Petróleos de Venezuela. Nonetheless, the share of U.S. outlets and gasoline sales by FDI companies changed little, as the number of retail gasoline outlets in the United States also declined.

FDI Affiliates' Production of Electricity, Coal, and Uranium Increased

The first major purchase of a U.S. electricity company by a foreign investor occurred in 1999, when ScottishPower (United Kingdom) bought PacifiCorp. Before that, only Sithe Energies and Dynegy had notable electricity operations in the United States. ScottishPower is a multi-utility business in the United Kingdom involved in electric power and coal mining in the United States. PacifiCorp carries out most of its electricity operations through two utilities in the western United States, Pacific Power and Utah Power. PacifiCorp generated 57.5 billion kilowatthours of electricity in 1999, 1.6 percent of total U.S. generation and one-half of U.S. electricity generation by FDI affiliates.[5]

Table 1. Net Production of Petroleum (Crude Oil and Natural Gas Liquids) and Dry Natural Gas in the United States by Foreign-Affiliated Companies, 1998-1999

	Petroleum (Crude Oil and Natural Gas Liquids) (thousand barrels per day)			Dry Natural Gas (billion cubic feet)		
Company	**1998**	**1999**	**Percent Change**	**1998**	**1999**	**Percent Change**
BP Amoco[a]	775.3	753.4	-2.8	897.0	907.0	1.1
Shell Oil	520.5	504.1	-3.2	674.0	696.0	3.3
Anadarko Petroleum	44.9	40.8	-9.1	177.0	170.0	-4.0
Canadian Occidental Petroleum	11.0	8.2	-25.0	35.0	35.0	0.0
Louis Dreyfus Natural Gas	9.4	8.1	-13.8	101.1	108.0	6.8
BHP Petroleum (Americas)[b]	3.3	4.7	41.1	5.3	14.4	172.6
Chieftain Development International	3.2	4.5	42.0	27.0	27.5	2.1
Meridian Resource	2.4	4.5	88.3	20.6	22.7	10.2
YPF	2.7	NA	NM	52.0	NA	NM
Saba Petroleum	2.6	NA	NM	1.6	NA	NM
Total Minatome and Fina Oil and Chemical[c]	5.1	2.9	-42.9	94.9	67.9	-28.5
Elf Exploration	1.5	1.8	25.0	23.0	24.1	4.8
Consol Energy[d]	0.0	0.0	NM	NA	13.8	NM
Enterprise Oil Gulf of Mexico	0.0	1.2	NM	0.0	0.7	NM
Statoil	0.5	NA	NM	39.8	NA	NM
Other Companies	0.4	(e)	NM	0.2	(e)	NM
Total Foreign-Affiliated	1,382.7	1,334.2	-3.5	2,148.5	2,087.1	-2.9
Total United States	8,392	8,107	-3.4	18,708	18,623	-0.5
Percent Foreign-Affiliated	16.5	16.5		11.5	11.2	

[a]Includes natural gas consumed in Alaska operations.

[b]For years ending May 31, 1999 and June 30, 2000.

[c]Parent companies Total and PetroFina merged in 1999; Total Minatome was sold in 1998.

[d]Production is for July 1, 1999 to June 30, 2000 and does not include equity affiliate production.

[e]Less than 0.05.

NA = not publicly reported, NM = not meaningful.

Note: Totals may not equal sum of components due to independent rounding.

Sources: **Company Data**: Form 10-K and 20-F reports filed with the U.S. Securities and Exchange Commission, annual reports to shareholders, and Herold Financial Database. **U.S. Totals**: Energy Information Administration, *Monthly Energy Review* , DOE/EIA-0035(2001/03) (Washington, DC, March 2000), Tables 3.1a and 4.1.

FDI affiliates also ventured into nuclear power for the first time in 1999, when Amergen, a U.S. affiliate of British Energy (United Kingdom), purchased the Clinton Nuclear Power Station and Three Mile Island Unit 1. Amergen. is a joint venture between PECO Energy (now Exelon) and British Energy, one of the largest electricity generators in the United Kingdom. AmerGen was formed to acquire and operate nuclear power stations in the United States.

Coal production by the foreign-affiliated companies increased 51 percent in 1999, largely offsetting the decline in 1998, when Peabody Coal, the largest coal producer in the world, was sold to U.S. investors by foreign investors (Table 4 and Figure 2). Three FDI affiliates were largely responsible for the increase. The largest production boost came from RAG's (Germany) purchase of Cyprus Amax Coal, which also caused it to become the third-largest foreign-affiliated coal producer in the United States.[6] The purchase

Table 2. U.S. Refinery Operations of Foreign-Affiliated Companies, 1998-1999

Company	Number of Refineries		Total Crude Oil Distillation Capacity (thousand barrels per day)		
	1998*	1999	1998*	1999	Percent Change
BP Amoco	7	7	1,420	1,430	0.7
Motiva Enterprises[a]	4	4	849	852	0.4
Equilon Enterprises[b]	6	5	837	748	-10.7
PDV America	5	5	700	706	0.9
Deer Park Refining[c]	1	1	274	274	0.0
Lyondell Petrochemical[d]	1	1	269	263	-2.3
Fina Oil & Chemical	2	2	237	237	0.0
Shell Oil	2	2	130	135	3.8
Neste Trifinery Petroleum	1	1	27	27	0.0
Transworld Oil USA	1	1	15	15	0.0
Total Foreign-Affiliated	30	29	4,758	4,687	-1.5
Total United States	153	152	16,261	16,512	1.5
Percent Foreign-Affiliated	19.6	19.1	29.3	28.4	

*Revised.

[a]Joint Venture among Shell Oil, Texaco, and Saudi Aramco.

[b]Joint venture between Shell Oil and Texaco.

[c]Joint venture between Shell Oil and Petróleos Mexicanos.

[d]Joint venture between Lyondell Chemical and PDV America, formerly Lyondell-Citgo.

Note: Values are at the end of the year.

Source: Energy Information Administration, *Petroleum Supply Annual 1999,* vol. 1, DOE/EIA-0340(99)/1 (Washington, DC, June 2000), Table 40, and previous issue.

added mines in Colorado, Illinois, Pennsylvania, Utah, and Wyoming to the mining properties RAG already owned in West Virginia. RAG is an international coal-based mining and technology company. It has been cutting back its coal mining capacity in Germany in recent years, seemingly because of the industry restructuring there.

Another large contributor to the increase in FDI coal production was ScottishPower's acquisition of PacifiCorp. While classified as an electric power transaction, the deal included PacifiCorp's coal operations, which ranked tenth in production in the United States in 1998. The third-largest contribution was a production increase by Kennecott Energy (Rio Tinto, Australia and United Kingdom). The increase of 17 million short tons in 1999 was mostly the result of owning a full-year's production from the Jacobs Ranch mine, purchased during 1998, although increased production from another one of its mines in Wyoming, Cordero Rojo, was also a substantial contributor. Canyon Fuel (Itochu, Japan) had a large proportional increase in production in 1999, in part resulting from recovery from difficult operating conditions at its Skyline Mine in Utah in 1998.

Among the energy sectors, FDI affiliates are most prominent in uranium concentrate production, accounting for 80 percent of the U.S. total. Production of uranium concentrate in the United States totaled 4.6 million pounds in 1999, a decline of 2 percent.[7] Two foreign-affiliated companies had large shares of U.S. uranium concentrate production. Rio Algom (Canada, subsequently acquired by Billiton

Table 3. Branded Retail Outlets and Total Gasoline Sales in the United States by Foreign-Affiliated Companies, 1998-1999

	1998	1999
Number of Outlets[a]		
BP Amoco	16,300	16,300
Motiva Enterprises[a]	14,200	14,200
Citgo Petroleum	15,079	13,813
Equilon Enterprises[c]	9,400	9,400
Fina Oil & Chemical	2,375	1,682
Total for Foreign-Affiliated Companies	57,354	55,395
U.S. Total[d]	180,567	175,941
Foreign-Affiliated Companies as Percent of U.S. Total	31.8	31.5
Total Gasoline Sales[e] (thousand barrels per day)		
Foreign-Affiliated Companies[f]	2,721	2,737
All Companies	8,395	8,550
Foreign-Affiliated Companies as a Percent of U.S. Total	32.4	32.0

[a]Includes company-owned outlets and independent dealer outlets (jobbers).

[b]Joint Venture among Shell Oil, Texaco, and Saudi Aramco.

[c]Joint venture between Shell Oil and Texaco.

[d]The total includes all establishments selling gasoline at retail.

[e]Gasoline sales by "Prime Suppliers."

[f]Disaggregated company numbers are considered proprietary by the Energy Information Administration.

Sources: **Company station counts and total branded outlets**: *National Petroleum News,* Market Facts 1999 (Mid-July 2000), and previous issue, and company reports. **Foreign affiliates' sales**: Energy Information Administration, Form EIA-782C, "Monthly Report of Prime Supplier Sales of Petroleum Products Sold for Local Consumption." **All companies' sales**: Energy Information Administration, *Petroleum Marketing Annual 1999* , DOE/EIA-0487(99) (Washington, DC, August, 2000), Table 48, and previous issue.

(United Kingdom)), an international mining and metals distribution company, produces copper, gold, uranium, and coal from mines in Canada, the United States, Chile, and Argentina. In 1999 it produced 1.8 million pounds of uranium concentrate in the United States, an increase of 90 percent and 39 percent of the U.S. total, largely from the Smith Ranch *in situ* leaching plant in Wyoming.[8]

The other major foreign producer, Cameco (Canada), the world's largest uranium producer, owned two *in situ* leaching mines in the United States in 1999. Cameco's share of production from the two mines was 1.7 million pounds of uranium concentrate, 37 percent of the U.S. total.[9] The total capacity of the processing facilities at the two mines was approximately 3 million pounds per year. Cameco, incorporated in 1987, was originally owned by Canada and the province of Saskatchewan. Since then the government of Canada has sold all of its shares, and Saskatchewan has sold all but 9.5 percent of the company.

Cogema (France), while a major international producer of uranium concentrate, is a much smaller player in the United States. The company produced only 165,000 pounds of uranium concentrate, 3 percent of

Table 4. U.S. Coal Production by Foreign-Affiliated Companies, 1998-1999
(Million Short Tons)

Foreign-Affiliated Company (Parent Company)	1998*	1999	Percent Change
Kennecott Energy (Rio Tinto)	102.6	120.1	17.1
Consol Energy (RWE)	74.3	73.1	-1.6
RAG American Coal (RAG)	(a)	59.2	NM
PacifiCorp (ScottishPower)	NF	21.0	NM
BHP Minerals (BHP)	15.5	15.9	2.6
Canyon Fuel (Itochu)	6.3	10.4	65.1
Total FDI Companies	**198.7**	**299.7**	**50.8**
Total United States	**1,117.5**	**1,075.5**	**-3.8**
Percent FDI Companies	**17.8**	**27.9**	

*1998 data are revised.

[a]Production in 1998 below threshold for inclusion data collection sample.

NA = not available, NF=not foreign, NM = not meaningful.

Notes: Most of RAG American Coal's production in 1999 came from mines formerly owned by Cyprus Amax Coal, which was not foreign affiliated in 1998. In 1999 RAG was partially owned by VEBA (now part of E.ON) and and VEW (now part of RWE).

Sources: National Mining Association, "1999 Coal Producer Survey," http://www.nma.org (April 2001), and previous issue. Canyon Fuel: Arch Coal, 1999 report to Securities and Exchange Commission on Form 10-K, and previous year.

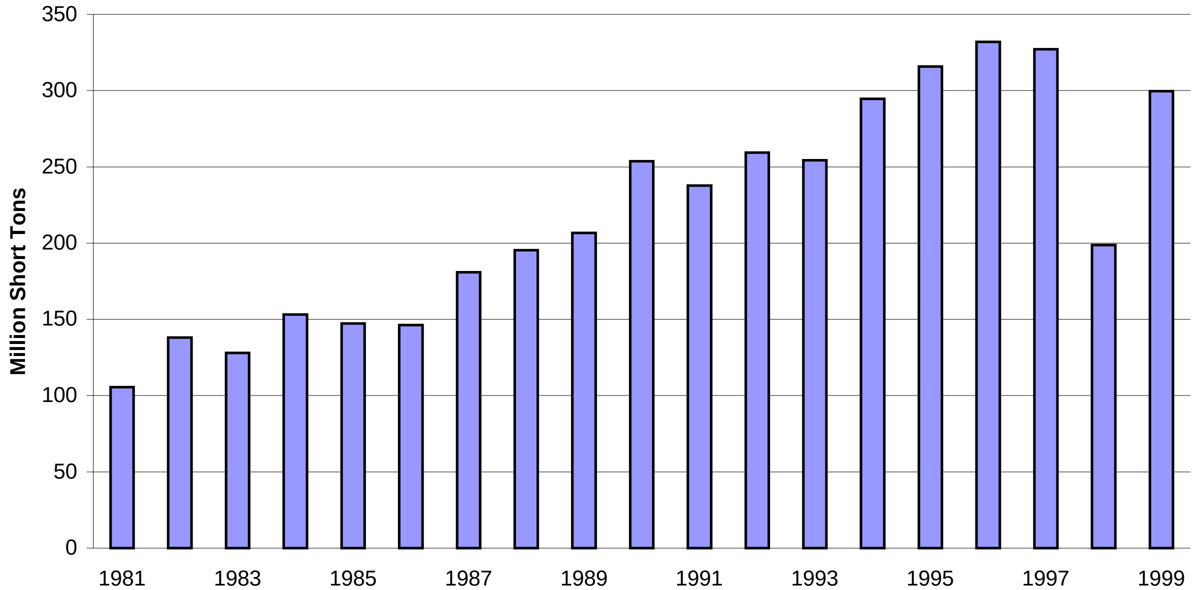
the U.S. total in 1999, and planned to cease its U.S. production in 2000.[10] CEA-Industrie (France) owns 75 percent of Cogema, and is itself almost totally owned by the French Atomic Energy Commission.

Capital Spending in Petroleum and Natural Gas by FDI Affiliates Declines

Capital spending (including exploration and development expenditures) by petroleum and natural gas companies, especially in the upstream sector, declined in 1999. Two of the major factors causing the decline were the very low oil prices at the beginning of the year, which continued to limit cash flow, and the overhang of the cash-flow deficit incurred in 1998, which restrained spending plans.

For FDI affiliates, upstream capital spending declined 27 percent and downstream spending declined 11 percent (Table 5). In upstream spending, BP Amoco had the smallest proportional decline, 13 percent. In large part the small decline resulted from BP Amoco's purchase of a significant part of Repsol YPF's (Spain) share of assets in their Cresendo Resources partnership for $400 million. Other important BP Amoco capital spending activities in 1999 included continuing projects to moderate the production decline at Prudhoe Bay in Alaska and continuing exploration and development in the Gulf of Mexico. Shell Oil's upstream capital expenditures declined 39 percent in 1999, although it continued its deepwater expansion in the Gulf, where it brought four new fields on stream. Canadian Occidental Petroleum (now Nexen) had the largest proportional decline in upstream capital spending in 1999, largely because its 1998 spending had been inflated by property acquisitions in the Gulf totaling $98 million. Canadian Occidental focused its 1999 exploration and production activities on drilling and the acquisition of seismic data in the Gulf.

Figure 2. Production of U.S. Coal by Foreign-Affiliated U.S. Companies, 1981-1999



*In 1998, the source of the data changed.

Sources: **1981-1997**: Energy Information Administration, "Foreign Direct Investment in U.S. Energy in 1998," http://www.eia.doe.gov/emeu/finance/fd/fdi98.pdf, Figure 4. **1998-1999**: National Mining Association, "1999 Coal Producer Survey," http://www.nma.org (April 2001), and previous year. Arch Coal, 1999 report to the Securities and Exchange Commission on Form 10-K, and previous year.

Table 5. U.S. Capital and Exploratory Expenditures of Foreign-Affiliated Petroleum and Natural Gas Companies, 1998-1999

(Million Dollars)

	Upstream[a]				Downstream[b]		
Company	**1998**	**1999**	**Percent Change**	**Company**	**1998**	**1999**	**Percent Change**
BP Amoco	2,207	1,918	-13.1	BP Amoco	809	646	-20.1
Shell Oil	1,765	1,073	-39.2	Equilon Enterprises	651	582	-10.6
Canadian Occidental	230	94	-59.1	Motiva Enterprises	182	310	70.3
Louis Dreyfus Natural Gas	226	184	-18.8	PDV America[d]	230	248	7.8
Fina Oil & Chemical[c]	186	134	-27.7	Fina Oil & Chemical	82	NA	NM
Chieftain International	94	55	-41.5	Shell Oil[e]	47	1	-97.9
Total	**4,708**	**3,458**	-26.5	**Total**	**2,001**	**1,787**	-10.7

[a]Includes costs incurred in oil and gas acquisition, exploration, development, and production.

[b]Includes capital expenditures in petroleum refining, marketing, and pipelines.

[c]Includes a relatively small amount of capital expenditures in Canada.

[d]Includes additions to investments in Lyondell Petrochemical.

[e]Does not include expenditures at refineries operated by the Chemical Products Division.

NA = not publicly reported; NM = not meaningful.

Notes: PDV values taken from their Consolidated Cash Flow Statement.

Sources: Company reports; Herold Financial Database.

Downstream capital expenditures declined proportionally less than upstream, although the largest spender, BP Amoco, decreased its spending by 20 percent in 1999. The decline was in part due to the April 1999 completion of a capital project to improve the ability of its Toledo, Ohio, refinery to process heavy sour crude oil by adding a new coker and sulfur plant. Motiva Enterprise's downstream capital expenditures increased by 70 percent, in large part because it began operating only in the second half of 1998. Equilon Enterprises maintained its position as the second-largest downstream spender, in part through the purchase of 12 product terminals to strengthen its distribution assets.

Financial Performance of FDI Affiliates in Petroleum and Natural Gas and Coal Rebound

The financial performance of FDI affiliates[11] in petroleum and natural gas and coal improved in 1999.[12] The improvement was largely the result of higher oil prices that year, which more than doubled from December 1998 to December 1999.[13] Net income for the FDI affiliates increased 26 percent (Table 6). Another reason for the increase was the use of generally accepted accounting principles by the companies. These principles require that writedowns in the values of oil and gas reserves in any given year (such as those that occurred in 1998 because of low oil prices that year) be charged against income that year. In concert with increased income, the return on equity for the FDI affiliates increased from 7.8 to 9.5 percent. This was accomplished with an increase in revenues of 16 percent.

The increase in revenues for the FDI affiliates was not carried over into cash flow from operations, which was flat in 1999 (Table 6). At the same time, capital expenditures were down 29 percent. This was in part a response to the cash crunch that occurred in 1998, when capital expenditures exceeded cash flow. In contrast, cash flow exceeded capital expenditures by $4.4 billion in 1999, and the FDI companies were able to reduce their debt to equity ratio by 3.2 percentage points. The companies also increased their cash dividends by 56 percent, resulting in higher dividends to net income and dividends to cash flow ratios.

The FDI affiliates in petroleum and natural gas and coal did not improve their financial performance nearly as much as did a comparison group of companies (Table 6).[14] The comparison group is derived from data available from Standard and Poor's PC Compustat Industrial File for the following industries: bituminous coal, lignite mining, crude oil and natural gas exploration and production, and petroleum refining. It includes U.S. companies and foreign companies with no affiliates in the United States, but excludes FDI affiliates. Revenues, net income, and cash flow all increased proportionally more for the comparison group, while capital expenditures declined proportionally less. The comparison group overall grew much more than the FDI affiliates, increasing its total assets by 22 percent. The return on equity for the comparison group, which had been depressed in 1998, grew substantially in 1999, almost drawing even with that of the FDI affiliates. The dividends to net income ratio for these companies declined substantially from the high level in 1998.

Foreign Direct Investment: The International Transactions Accounts

In the United States, the Bureau of Economic Analysis (part of the U.S. Department of Commerce) collects data regarding FDI from companies in the United States that are affiliates of foreign investors. One measure of FDI is the "FDI position," which is the total of all contributions over all years by foreign investors to the net value of ownership in their affiliates in the United States. As well as equity capital contributions to new and existing FDI affiliates, the FDI position includes earnings reinvested in and

Table 6. Selected Financial Information for Foreign-Affiliated U.S. Petroleum and Natural Gas and Coal Companies, 1998-1999
(Billion Dollars)

	Foreign-Affiliated U.S. Petroleum and Natural Gas and Coal Companies[a]			U.S. Petroleum and Natural Gas and Coal Companies Comparison Group[b]		
	1998	1999	Percent Change	1998	1999	Percent Change
Financial Items						
Revenues	103.6	120.0	15.8	331.9	437.8	31.9
Net Income	4.8	6.1	26.1	6.1	16.1	166.2
Cash Flow[c]	14.0	14.0	0.3	36.7	45.9	25.2
Capital Expenditures	13.5	9.6	-28.9	46.5	43.2	-7.2
Cash Dividends	3.2	5.1	56.2	9.2	11.7	26.5
Total Assets	134.7	140.2	7.0	375.5	457.4	21.8
	(percent)					
Financial Ratios						
Return on Equity[d]	7.8	9.5	-	4.2	9.2	-
Dividends/Net Income	66.8	82.8	-	152.7	72.6	-
Dividends/Cash Flow	23.2	36.1	-	25.2	25.5	-
Debt/Equity[e]	40.9	37.7	-	59.2	55.3	-

[a]Includes incorporated U.S. petroleum and natural gas and coal companies that were foreign-affiliated at 1998 and 1999 year-end and for which publicly reported financial information is available. Also includes foreign parents, if affiliate data are not available. The FDI affiliates included are: Arabian American Development, Blue Dolphin Energy, Canadian Occidental Petroleum, Chieftain International, Dynegy, Louis Dreyfus Natural Gas, Lyondell Chemical, Meridian Resources, Oceanic Exploration, Santa Fe International, and Schlumberger. The foreign-parent companies included are: BP Amoco p.l.c., YPF Sociedad Anónima, and Petsec Energy Ltd., because data for BP Amoco Inc. and BP America, Maxus Energy, and Petsec Energy, respectively, their subsidaries, are not separately disclosed. Forcenergy, Greka Energy, and Shell Oil are excluded from the totals because data for one of the two years are not available.

[b]The comparison group is derived from data available from Standard and Poor's PC Compustat Industrial File for the following four digit (SIC) industries: 1220 (bituminous coal, lignite mining), 1221 (bituminous coal, lignite surface mining), 1311 (crude petroleum and natural gas production), 1381 (oil and gas well drilling), 1382 (oil and gas field exploration), 1389 (oil and gas field services not elsewhere classified), and 2911 (petroleum refining). It includes foreign companies in the PC Compustat Industrial File with no affiliates in the United States but excludes the FDI affiliates or parent companies listed in the previous footnote.

[c]Measured as cash flow from operations.

[d]Defined as net income divided by year-end stockholders' equity.

[e]Defined as year-end long-term debt divided by year-end stockholders' equity.

Note: Percent changes were calculated from unrounded data.

Source: Compiled from PC Compustat Industrial File and company annual reports.

loans to U.S.-based affiliates. No adjustment is made to the total for depreciation of the assets. The FDI position is the cumulative amount of FDI at a particular point in time, usually at the end of a year.

Estimates of the FDI position in the total U.S. economy are available using several methodologies; however, the FDI position for individual industries and countries is only estimated based on "historical cost." The FDI position estimate based on historical cost is the total value of the tangible assets carried on the books of all of the FDI affiliates, which are derived from the costs of the assets at the time they were acquired.[15]

The total FDI position in the U.S. economy based on historical cost was $987 billion at the end of 1999, a 24-percent increase over 1998.[16] Between 1994 and 1998, the total FDI position grew at an average annual rate of 13 percent. The total FDI position at the end of 1999, at that time the highest ever, was the result of record net equity-capital inflows resulting from numerous large-scale acquisitions of U.S. companies and assets, especially by Western European companies. Two other major types of foreign investment in the United States, U.S. liabilities reported by U.S. banks and U.S. securities other than U.S. Treasury securities owned by foreign investors (who own less than 10 percent of the company), also increased substantially in 1999.

The three industries that were the largest contributors to the increase in the total FDI position in 1999 were: insurance; electric, gas, and sanitary services; and communications. These industries contributed $24, $23, and $20 billion, respectively.[17] The three countries that provided the largest increases in the total FDI position were the United Kingdom, the Netherlands, and Luxembourg, with increases of $40, $32, and $28 billion, respectively. The United Kingdom contributed to the increases in communications and electric, gas, and sanitary services primarily through the acquisition of a wireless communications company, an electric utility (PacifiCorp), and a water utility services company. For the Netherlands, the increases were mostly through the purchase of insurance companies and depository institutions (banks). Affiliates in Luxembourg, which were ultimately owned by investors in other countries, invested predominantly in U.S. manufacturing industries.[18]

For the U.S. energy industries, the FDI position at the end of 1999 totaled $82 billion, 8.2 percent of the total FDI position.[19] The energy industries' share of the FDI position in the total U.S. economy increased in both 1998 and 1999, after generally declining since 1980. In 1999, a decline in the share of petroleum and natural gas[20] was more than offset by an increase in the share of electric power.

Electric Power Gains Substantial Role in FDI Position

The electric power industry's share of the total FDI position in the United States became substantial for the first time in 1999, with the purchase of PacifiCorp by ScottishPower (United Kingdom) (Figure 1). (In this report, the industry group of electric, gas, and sanitary services is used as a proxy for the electric power industry because data for electric power alone are not published separately. Some publicly available data suggest that electric power constitutes the bulk of the total investment for the group.[21]) At the end of 1999, the FDI position in electric, gas, and sanitary services reached 2.6 percent of the total FDI position in the U.S. economy.[22] Before then, electric power had played a small role in the FDI position. The lack of FDI in U.S. electric power arose in large part from restrictions in the Public Utility Holding Company Act of 1935, which were relaxed by the Energy Policy Act of 1992.[23]

FDI Position in Petroleum and Natural Gas Grows Moderately

The FDI position in the U.S. petroleum and natural gas industry in 1999 grew to $56 billion, an increase of 8 percent (Table 7). The increase did not include any large individual transactions, but it did continue the upward trend of recent years (Figure 3). The position in petroleum and natural gas had declined absolutely in the early 1990's. Relative to the growth of the total FDI position, the growth rate of the position in petroleum and natural gas fell behind beginning in 1988 (Figure 4). However, it did recover between 1994 and 1998, when both positions grew at about the same average annual rate, 13 percent. For 1999, the position in all industries reclaimed the lead with a 24-percent growth rate.

Most of the increase in the FDI position in petroleum and natural gas in 1999 was contributed by the United Kingdom (Table 7). Together with the Netherlands, the two European countries accounted for 80 percent of the industry's FDI position (Figure 5). The other countries with the largest FDI positions in the

Table 7. FDI Position in the U.S. Petroleum and Natural Gas Industry by Selected Countries (Historical-Cost Basis), 1998-1999
(Billion Dollars)

	1998	1999	1999 Share
All Countries	51.7	55.9	100.0
Canada	2.5	2.8	5.1
Europe	46.0	49.6	88.7
Netherlands	11.4	11.1	19.8
Norway	(d)	1.2	2.2
United Kingdom	30.1	33.4	59.8
Latin America and OWH[a]	0.9	1.8	3.3
United Kingdom Islands, Caribbean	0.5	1.2	2.2
Africa	0.0	0.0	0.0
Middle East	0.9	0.9	1.6
Asia and Pacific	1.4	0.7	1.3
Addenda			
European Union (15)[b]	44.6	47.8	85.5
OPEC[c]	0.1	0.4	0.7

[a]Other Western Hemisphere.

[b]The European Union (15) comprises Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

[c]OPEC is the Organization of Petroleum Exporting Countries, comprising Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.

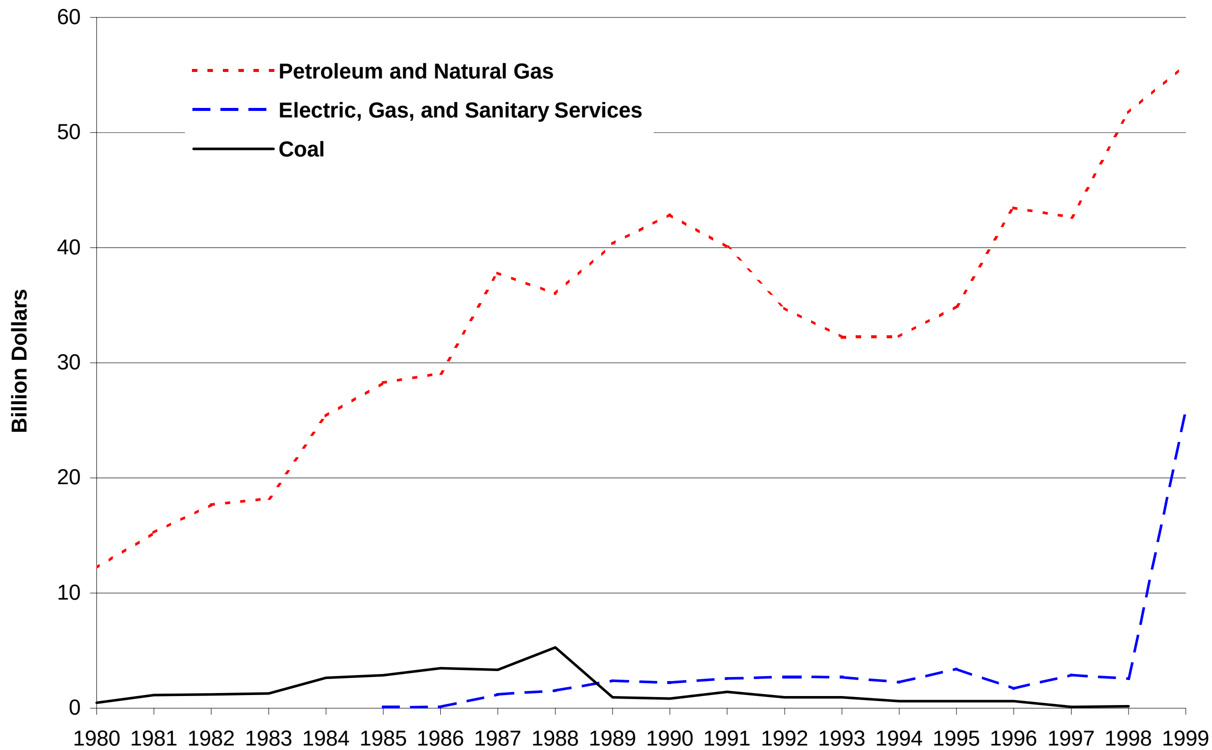
[d]Data withheld by the Bureau of Economic Analysis to prevent disclosure of individual company information.

Notes: Foreign direct investment position is the value of foreign direct investors' net equity in, and outstanding loans to, their affiliates in the United States at the end of the year. Amounts are on a historical-cost, or book-value, basis. 1999 estimates are preliminary; 1998 estimates are revised. (The Bureau of Economic Analysis usually continues to revise direct investment data for several years after they are first estimated.) Sum of components may not equal total due to independent rounding.

Source: Bureau of Economic Analysis, "Foreign Direct Investment in the United States," *Survey of Current Business* (Washington, DC, September 2000), Tables 10.2-10.3.

total U.S. economy--Canada, France, Germany, and Japan--together accounted for less than 10 percent of the FDI position in petroleum and natural gas but for 42 percent of the position in all industries in 1999.[24] The United Kingdom and the Netherlands both are home to parent companies linked to major petroleum and natural gas subsidiaries in the United States: BP America and BP Amoco Corp., subsidiaries of BP Amoco p.l.c. (United Kingdom) and Shell Oil, a subsidiary of Royal Dutch/Shell (Netherlands and United Kingdom).

Figure 3. FDI Position in U.S. Energy Industries (Historical-Cost Basis), 1980-1999



Note: When no data point plotted, data was withheld to prevent disclosure of individual company information.
Source: Bureau of Economic Analysis, "Foreign Direct Investment in the United States," *Survey of Current Business* (Washington, DC, September 2000), Tables 10.2-10.3, and preceding issues.

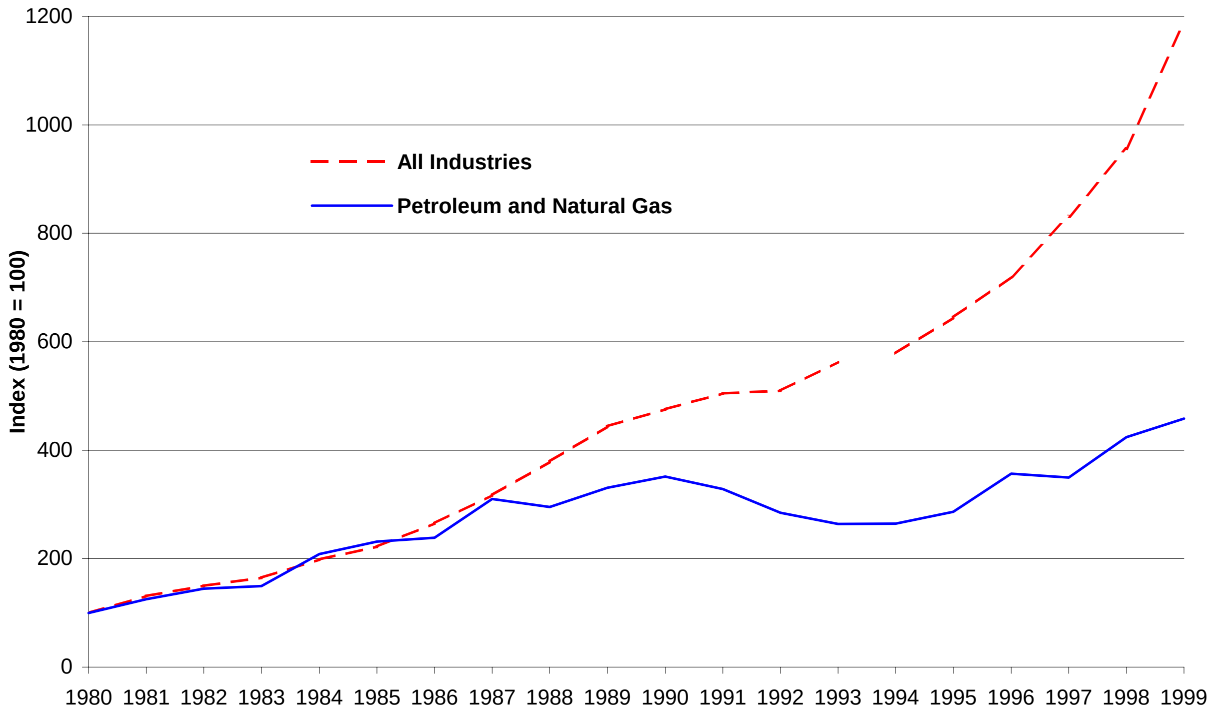
The FDI position in the U.S. coal industry has been negligible since 1989, although it did grow during the 1980's (Figure 3). In 1999, the FDI position in coal may have increased because of the purchase of Cyprus Amax Coal by RAG (Germany) for $1.1 billion; however, the position was not reported in 1999 to prevent disclosure of individual company information.

Net FDI Capital Inflows Provide Alternative Measure

Another measure of FDI is the net flow of capital into the United States from foreign investors to their FDI affiliates. It is composed of the same three elements as the FDI position (equity capital, net loans, and reinvested earnings), but it is the net inflow of FDI over a particular period of time, usually one year.[25] Estimates of the value of net FDI capital inflows are available using two methods; however, only one estimate is available for individual industries and countries.[26] The estimate of the FDI position based on historical costs adjusts the estimates of net FDI capital inflows to account for the differences between purchase prices and book values.[27]

The difference between the FDI position and net capital inflows can be starkly illustrated by the two estimates of FDI in petroleum and natural gas in 1998. That year the net FDI capital inflows (without a current-cost adjustment) to petroleum and natural gas were $59 billion, but the change in the FDI position (valued at historical cost) was only $9 billion.[28] A large part of the difference arises from the valuation of the merger of British Petroleum (United Kingdom) and Amoco (now BP Amoco p.l.c.). The capital

Figure 4. Index of FDI Position in Petroleum and Natural Gas and All Industries (Historical-Cost Basis), 1980-1999

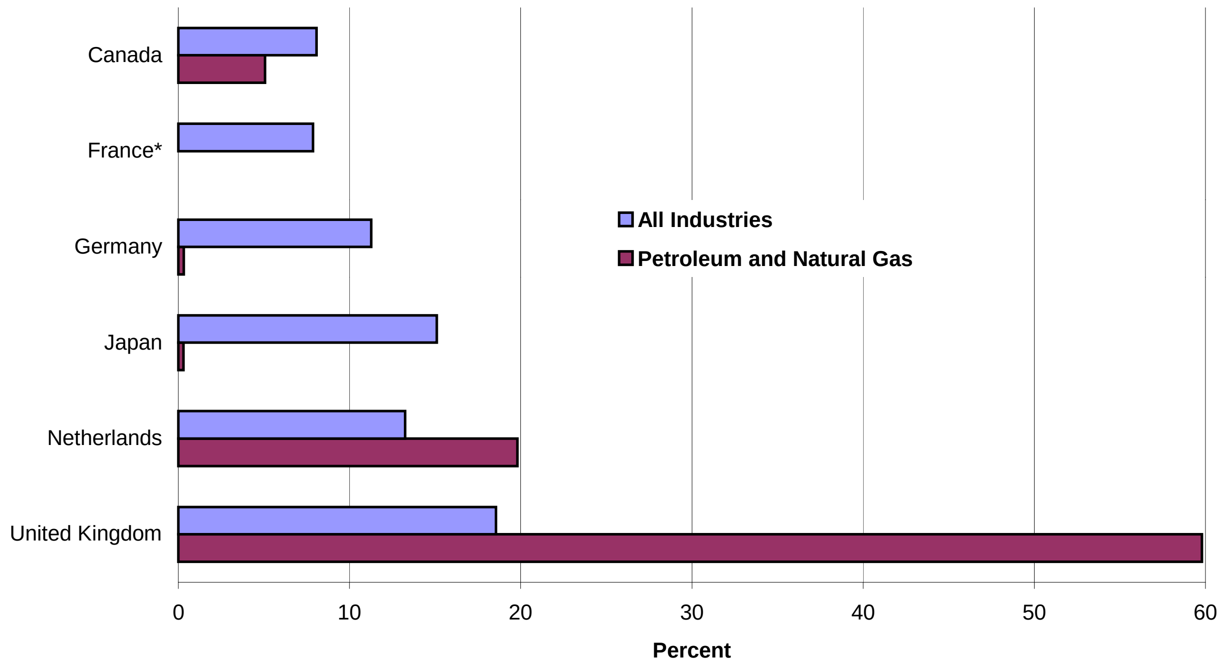


Note: All Industries series broken between 1993 and 1994 because its composition changed in 1994.
Source: Bureau of Economic Analysis, "Foreign Direct Investment in the United States," *Survey of Current Business* (Washington, DC, September 2000), Tables 10.2-10.3, and preceding issue.

inflows and transaction value of the merger were $57 billion. But, when the position in petroleum and natural gas was estimated, the transaction value was reduced by $50 billion, largely because the transaction value of the merger far exceeded the book value of the assets exchanged. Because they are based on transaction values rather than book values, net capital inflows more closely reflect the international capital flows that occur than does the change in FDI position.

In 1999 net FDI capital inflows to the U.S. energy industry from abroad (excluding coal, which was not reported) were $31 billion (Figure 6). The bulk of the difference came from the inflows to electric, gas, and sanitary services, which skyrocketed by an order of magnitude in 1999. From 1995 through 1998, the capital inflows to electric, gas, and sanitary services ranged around $1 billion; in 1999 they were $25 billion. Net FDI capital inflows to petroleum and natural gas fell to $6 billion, after their extraordinary increase in 1998. Although the net capital inflows to coal were withheld in 1999, it may have been substantial because of a $1.1-billion cash payment by a foreign investor for U.S. coal assets.[29] Capital inflows to coal were negative in four of the five years before 1999. Capital inflows to all U.S. industries increased substantially faster in 1998 and 1999, first to $182 billion and then to $271 billion.

Figure 5. Shares of FDI Position in U.S. Petroleum and Natural Gas and All U.S. Industries for Countries with Largest FDI Position in All Industry, 1999



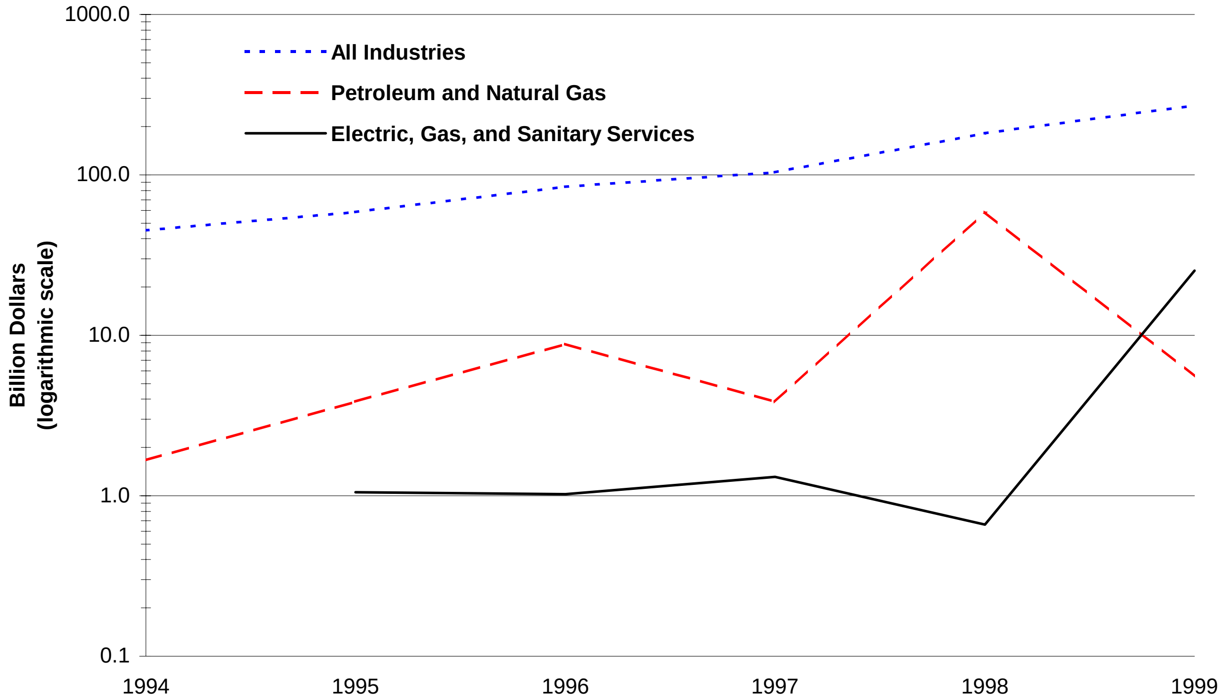
*The 1999 FDI position for petroleum and natural gas was not reported for France to prevent disclosure of individual company data.

Source: Bureau of Economic Analysis, "Foreign Direct Investment in the United States," *Survey of Current Business* (Washington, DC, September 2000), Table 10.3.

U.S. Companies' Direct Investment Abroad in Energy

The counterpart to FDI in the United States is U.S. direct investment abroad (DIA).[30] In 1999, the DIA position of U.S. investors overseas valued at historical costs increased to $1.1 trillion.[31] The DIA position increase would have been larger had not some large DIA affiliates been sold by their U.S. investors in 1999. The two largest DIA positions were in holding companies and finance companies (except depository institutions). Holding companies may have operating subsidiaries in other industries that are not counted in those industries. The next three largest industry positions were in petroleum and natural gas, chemicals and allied products, and wholesale trade, at $100, $83, and $80 billion, respectively.[32] The other energy industries, electric power (as included with natural gas and sanitary services) and coal, had DIA positions of $26 and $1 billion, respectively, much smaller than the position in foreign petroleum and natural gas (Figure 7). The three countries with the largest DIA positions were the United Kingdom, Canada, and the Netherlands, at $213, $112, and $106 billion, respectively. In 1994, the Netherlands had been fifth, also behind Germany and Japan.

Figure 6. Net FDI Capital Inflows for Energy and All Industries (Without Current-Cost Adjustment), 1994-1999



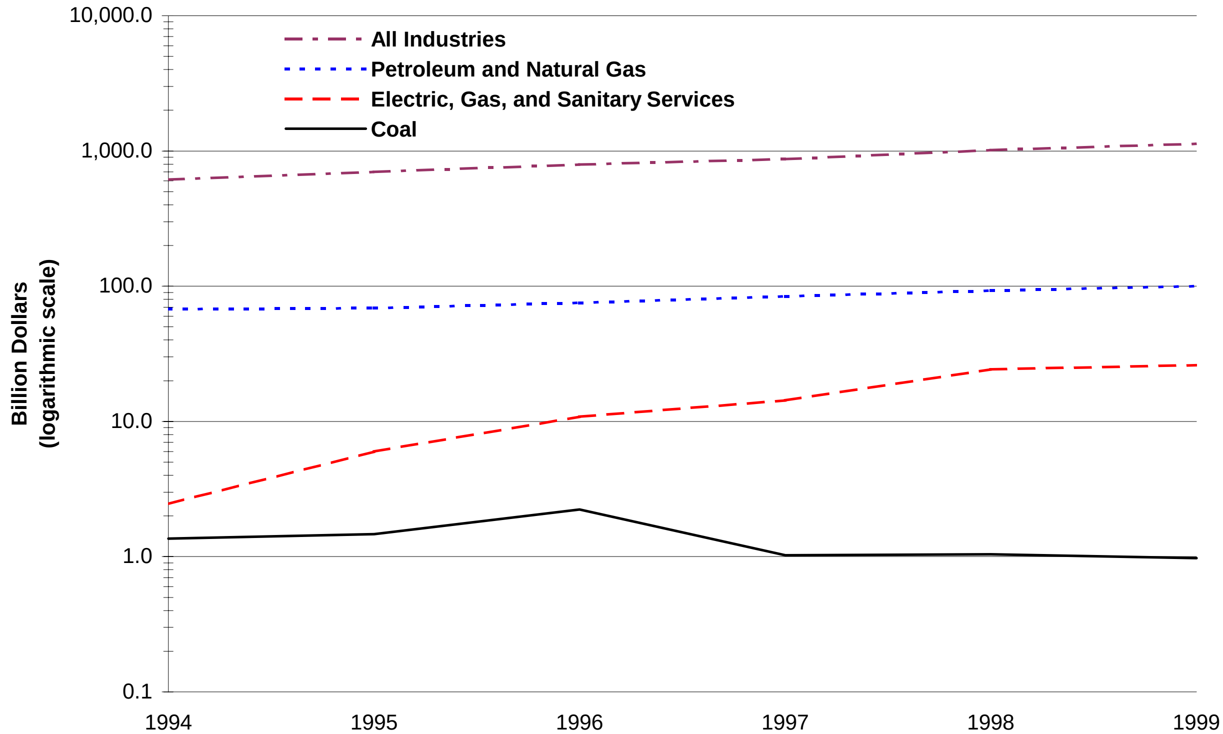
Note: Inflows to electric, gas, and sanitary services were negative in 1994.
Source: Bureau of Economic Analysis, "U.S. Direct Investment Abroad," *Survey of Current Business* (Washington, DC, September 2000), Tables 10.2-10.3, and preceding issues.

DIA Position in Petroleum and Natural Gas Focuses on Upstream

The DIA position in foreign petroleum and natural gas in 1999 was largely in the upstream segment of the industry. The DIA position in companies engaged in oil and gas extraction exclusively was $66 billion, two thirds of the total.[33] In addition, the position of integrated companies engaged in both refining and extraction was $11 billion. The United Kingdom and Canada remained the two countries with the largest DIA positions in petroleum and natural gas, although the position in the United Kingdom declined somewhat from 1998 (Table 8). Together the two countries accounted for 34 percent of the DIA position in petroleum and natural gas. Canada and Indonesia had the largest absolute increases in their positions; at the end of 1999, Indonesia accounted for 29 percent of the position in the Asia and Pacific region. Canada and the Asia and Pacific region both receive proportionally much more DIA in petroleum and natural gas than they invest in that industry through FDI in the United States, while Europe received proportionally much less (Table 7).

The DIA position in foreign petroleum and natural gas increased by a larger amount than did the FDI position in U.S. petroleum and natural gas in 1999. This has been the pattern for most years since 1990, resulting in the DIA position exceeding the FDI position by $44 billion at the end of 1999 (Figure 8). In contrast, during most of the 1980’s, the FDI position in U.S. petroleum and natural gas grew steadily, while the DIA position was effectively flat.

Figure 7. The DIA Position in Foreign Energy Industries and All Foreign Industries (Historical- Cost Basis), 1994-1999



Source: Bureau of Economic Analysis, "U.S. Direct Investment Abroad," *Survey of Current Business* (Washington, DC, September 2000), Table 17.

The DIA position in foreign electric, gas, and sanitary services grew in 1999, but at a slower rate than in the previous five years. At the end of the year, it amounted to about one quarter of the position in petroleum and natural gas. The DIA position in coal continued to be minimal.

DIA Outflows to Petroleum and Natural Gas Regain Lead as Outflows to Electric Power Fall

Net DIA capital outflows (without a current-cost adjustment to earnings) to foreign petroleum and natural gas in 1999 were $8.9 billion, little changed from 1998 (Figure 9). For the years 1994 through 1999, net DIA outflows to the industry have ranged between $0.7 and $11.6 billion, with higher values in the more recent years. One of the largest contributors to the capital outflows to petroleum and natural gas in 1999 was Burlington Resources acquisition of Poco Petroleum (Canada) for $2.5 billion. The capital outflows to foreign coal, $94 million, were much smaller than to the other energy industry segments.

Net DIA outflows to electric, gas, and sanitary services in 1999 were sharply curtailed to $3.1 billion, their lowest level since 1994 (Figure 9). Outflows to the industry had been relatively large since 1995, exceeding those to petroleum and natural gas in 1995 and 1998. However, there were several large acquisitions of foreign electric power companies and natural gas distribution companies in 1999 that were publicly reported. Edison International purchased two coal-fired power plants from PowerGen (United Kingdom) for $2.0 billion. Reliant Energy purchased 52 percent of UNA (Netherlands), a power generating company, for $1.3 billion.[34] Sempra Energy and Public Service Enterprise Group jointly purchased 90 percent of Chilquinta Energía (Chile), an electricity and natural gas company, for $0.8

Table 8. U.S. Direct Investment Abroad Position in Foreign Petroleum and Natural Gas Industry, by Selected Countries (Historical-Cost Basis), 1998-1999
(Billion Dollars)

	1998	1999	1999 Share
All Countries	93.0	99.9	100.0
Canada	13.6	16.4	16.4
Europe	33.8	34.0	34.0
Netherlands	2.8	3.3	3.3
Norway	3.8	4.1	4.1
United Kingdom	18.4	17.4	17.5
Latin America and OWH[a]	8.3	8.7	8.7
Africa	9.8	9.6	9.6
Middle East	3.0	3.2	3.2
Asia and Pacific	22.5	25.3	25.4
Australia	4.1	3.3	3.3
Indonesia	5.0	7.4	7.4
Japan	4.4	4.4	4.4

[a]Other Western Hemisphere

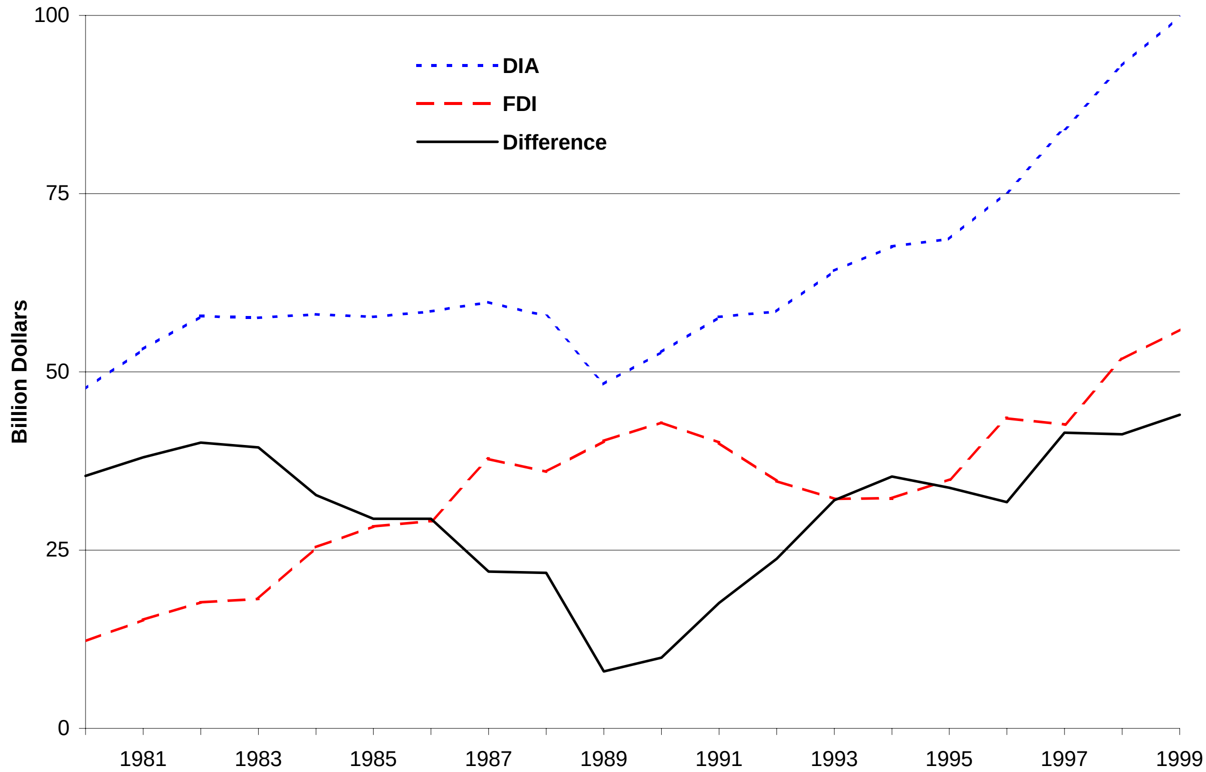
Notes: U.S. direct investment abroad position is the value of U.S. direct investors' net equity in, and outstanding loans to, their affiliates outside of the United States at the end of the year. Amounts are on a historical-cost, or book-value, basis. 1999 estimates are preliminary; 1998 estimates are revised. (The Bureau of Economic Analysis usually continues to revise direct investment data for several years after they are first estimated.) Sum of components may not equal total due to independent rounding.

Source: Bureau of Economic Analysis, "U.S. Direct Investment Abroad," *Survey of Current Business* (Washington, DC, September 2000), Tables 10.2-10.3.

billion. Duke Energy spent $0.8 billion to purchase a controlling voting interest and a 44-percent economic interest in Companhia de Geração de Energía Elétrica Paranapanema (Brazil), an electricity generating company. In addition, TXU Corp. bought two gas distribution systems in Australia for $1 billion. Also there were several mid-size deals in the two sectors totaling $1.7 billion.

These DIA acquisitions in electric power and natural gas distribution totaled $7.6 billion, more than double the $3.1-billion estimate for net capital outflows to electric, gas, and sanitary services. Several factors may account for this difference. Net capital outflows are reduced by reverse capital flows, including capital returned to U.S. direct investors through divestitures, loan repayments to U.S. investors, and negative reinvested earnings by U.S. investors.[35] These reverse flows could have offset a portion of the FDI purchases. In addition, some of the DIA acquisitions in electric power and natural gas distribution may have been through foreign holding companies and thus were included as DIA in holding companies, not in electric and gas services.

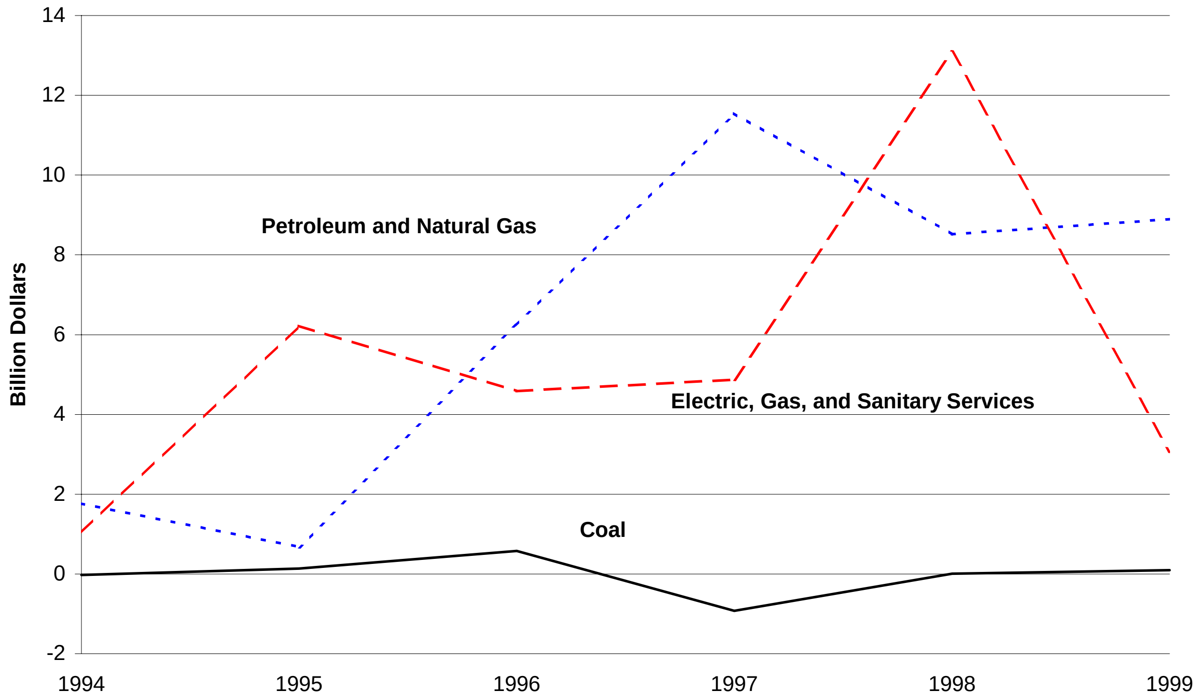
Figure 8. U.S. Direct Investment Abroad Position in Foreign Oil and Gas Industry and Foreign Direct Investment Position in U.S. Oil and Gas Industry, 1980-1999



Source: "Foreign Direct Investment in the United States" and "U.S. Direct Investment Abroad," *Survey of Current Business* (Washington, DC, September 2000), Table 17, and previous issues.

Two factors are largely responsible for the increased net capital outflows to electric power in recent years. One is the enactment of the U.S. Energy Policy Act of 1992, which removed Federal legislative impediments to overseas investments by U.S. electric utilities. The other is the ongoing international privatization and deregulation of the electric power industry.

Figure 9. Net DIA Capital Outflows to Energy Industries (Without Current-Cost Adjustment), 1994-1999



Source: Bureau of Economic Analysis, "U.S. Direct Investment Abroad," *Survey of Current Business* (Washington, DC, September 2000), Table 17.

Conclusion

FDI plays an important role in the U.S. energy industry. FDI affiliates markedly increased their role in U.S. coal, uranium, and electricity production. The increased coal production, a resurgence from a sharp decline in 1998, resulted largely from the merger of the German conglomerate RAG with Cyprus Amax Coal. The increased uranium production largely came from increased output by Rio Algom Mining, then a subsidiary of a Canadian mining company, from a non-conventional production plant in Wyoming. The increased electric power generation, largely the result of ScottishPower's (United Kingdom) merger with PacifiCorp, expands the role of FDI affiliates in electricity production beyond the nascent level of the previous two years. The production of oil and gas, as well as their capacity for crude oil refining, by FDI affiliates all declined slightly in 1999, with no major FDI transactions in the industries.

The flow of foreign capital into the U.S. energy industry in 1999 changed largely as a result of two very large investments by companies in the United Kingdom. The total inflow fell because British Petroleum's merger with Amoco had raised it unusually high in 1998. Capital inflows to the electric power industry surpassed those to the petroleum industry for the first time in 1999 as a consequence of ScottishPower's merger with PacifiCorp.

Endnotes

[1] The purpose of this foreign direct investment report is to provide an assessment of the extent of foreign ownership of energy assets in the United States. Section 657, Subpart 8 of the U.S. Department of Energy Organization Act (Public Law 95-91) requires an annual report to Congress which presents: "a summary of activities in the United States by companies which are foreign owned or controlled and which own or control United States energy sources and supplies …."

[2] http://www.eia.doe.gov/emeu/finance/fdi/1999/index.html (March 23, 2001).

[3] In the United States, the criterion for foreign direct investment is specified by the International Investment and Trade in Services Survey Act. The act defines foreign direct investment in the United States as "the ownership or control, directly or indirectly, by one foreign investor of 10 percent or more of the voting securities of an incorporated U.S. business enterprise, or the equivalent interest in an unincorporated U.S. business enterprise." See Alicia M. Quijano, "A Guide to BEA Statistics on Foreign Direct Investment in the United States," *Survey of Current Business* (Washington, DC, February 1990), pp. 29-37, for further discussion.

[4] The percentage amount is, of necessity, arbitrary, because no exact percentage of ownership is necessary to achieve control of a company, although ownership of greater than 50 percent usually is sufficient. For further discussion and a comprehensive analysis of FDI in the United States, see Edward M. Graham and Paul R. Krugman, *Foreign Direct Investment in the United States,* 3rd ed. (Washington, DC: Institute for International Economics, 1995).

[5] Energy Information Administration, *Electric Power Annual 1999*, vol. 1, DOE/EIA-0348(99)/1 (Washington, DC, August 2000), Table 1 and Form EIA-861 (Annual Electric Utility Report).

[6] In 1999 RAG was partially owned by VEBA (Germany), now part of E.On, (Germany), and VEW (Germany), now part of RWE (Germany).

[7] This total does not include any uranium obtained by processing U.S. or Russian surplus defense inventories of uranium.

[8] Rio Algom, "Rio Algom Mining Corp.," http://www.rioalgom.com/ramc.html, April 2001.

[9] Cameco, *1999 Annual Information Form,* p. 15.

[10] Cogema, *1999 Annual Report,* p. 13.

[11] The group includes some foreign parent companies, when data for the FDI affiliate was not separately available. See footnotes to Table 7.

[12] For a discussion of the financial performance of the major U.S. energy companies in 1999, see Energy Information Administration, *Performance Profiles of Major Energy Companies 1999*, DOE/EIA-0206(99), (Washington, DC, January 2001) ch. 2.

[13] From $9.39 to $24.35 per barrel, as measured by the refiner acquisition cost of imported crude oil. Energy Information Administration, *Monthly Energy Review,* DOE/EIA-0035(2001/03), (Washington, DC, March 2001) Table 9.1.

[14] The comparison group is composed of the coal and oil and gas companies, excluding those that are foreign affiliated, in the PC Compustat Industrial File.

[15] More specifically, it is the year-end book value of foreign investors' equity (including retained earnings) in, and net outstanding loans to, their affiliates in the United States. In addition to not being adjusted for depreciation, the FDI position based on historical costs is also not adjusted for inflation and is usually lower than the other estimates of the FDI position.

[16] Two other estimates are based on current costs and market values. The estimate of the total FDI position at year-end 1999, valuing the portion of the FDI position representing the foreign investors' shares of their FDI affiliates' tangible assets at current cost or replacement cost is $1.1 trillion. The estimate valuing the foreign investors' equity portion of the position at current market value is $ 2.8 trillion. For a discussion of these two valuation methods, see Russell B. Scholl, "The International Investment Position of the United States at Yearend 1999," *Survey of Current Business* (July 2000), pp. 46-56.

[17] Bureau of Economic Analysis, "Foreign Direct Investment in the United States, 1999," *Survey of Current Business* (September 2000), Table 17.

[18] For further discussion of the FDI position by country and industry, see Sylvia E. Bargas, "Direct Investment Positions for 1999, Country and Industry Detail," *Survey of Current Business* (July 2000), pp. 57-68.

[19] The position in energy includes a small amount of FDI in sanitary services because the amount in sanitary services is not reported separately from that of electric and gas services. Bureau of Economic Analysis, "Foreign Direct Investment in the United States, 1999," *Survey of Current Business* (September 2000), Table 17.

[20] The petroleum and natural gas industry includes oil and gas production, crude oil refining and natural gas processing, transportation, and petroleum marketing and retail sales.

[21] For example, investment in electric services was 61 percent of investment in fixed assets in electric, gas, and sanitary services in the United States, valued at historic cost, for the ten years 1990-1999. Bureau of Economic Analysis, "Historical-Cost Data for Investment in Fixed Assets," http://www.bea.doc.gov/bea/dn2.htm (March 2001).

[22] Bureau of Economic Analysis, "Foreign Direct Investment in the United States, 1999," *Survey of Current Business* (September 2000), Table 17.

[23] For further discussion, see "FDI in the U.S. Electric Power Industry," *Performance Profiles of Major Energy Producers 1998*, http://tonto.eia.doe.gov/FTPROOT/financial/020698.pdf (January 2000).

[24] The FDI position of France in petroleum and natural gas was withheld for 1999 to prevent disclosure of individual company data. The result of a less than 10 percent share assumes that France contributed all of the FDI position not accounted for by the other countries in Europe with reported positions.

[25] FDI capital inflows are net values because equity capital outflows and loans from FDI affiliates to their parents are subtracted from equity capital inflows and loans from parents to their FDI affiliates. The FDI position is also a net value in the sense that capital returned or loan repayments to the parent by the FDI affiliate are subtracted from the total position.

[26] This estimate does not include a current-cost adjustment to earnings, which adjusts costs to reflect current-period prices. It is usually relatively small.

[27] An adjustment is made for the FDI position estimate because the position is based on the historical cost of the assets, while net capital inflows are based on the amounts of the FDI transactions that have occurred. For this reason, in determining the FDI position, the net capital inflows have to be adjusted to account for the difference between historical cost and transaction value. These adjustments can be quite large so that changes in the FDI position over a given period can be very different from the adjusted net capital inflows for the same period. Capital inflows are also adjusted for other factors, such as the change in the exchange rates between the currencies of different countries. See Bureau of Economic Analysis, "Foreign Direct Investment in the United States Detail for Historical-Cost Position and related Capital and Income Flows, 1999," *Survey of Current Business* (September 2000), Tables 1, 2, and 5.

[28] Bureau of Economic Analysis, "Foreign Direct Investment in the United States, 1998," *Survey of Current Business* (September 2000), Table 5.

[29] Cyprus Amax Minerals, Securities and Exchange Commission Form 10-Q, August 6, 1999.

[30] U.S.-affiliated companies ("DIA affiliates") are foreign businesses in which a U.S. entity holds an ownership interest of 10 percent or more.

[31] The estimate of the total DIA position valued at current cost was $1.3 trillion. The estimate valued at current market value was $2.6 trillion.

[32] Bureau of Economic Analysis, "U.S. Direct Investment Abroad, 1999," *Survey of Current Business* (September 2000), Table 17.

[33] Bureau of Economic Analysis, "U.S. Direct Investment Abroad, 1999," *Survey of Current Business* (September 2000), Table 17.

[34] The remainder was purchased for an additional $1 billion in 2000.

[35] Net DIA capital outflows are made up of several components and acquisitions of foreign assets by U.S. investors are only one of them. Each of the other components of DIA capital outflows may include negative elements or reverse DIA capital flows. Divestitures of foreign assets by U.S. direct investors are reverse DIA equity capital flows. Indeed, at least one such transaction occurred in 1999, National Power (United Kingdom, now International Power) purchased the supply business of Midlands Electricity Board from GPU and CINergy for $0.3 billion. Loan repayments by DIA affiliates to their U.S. parents, which are not usually publicly reported, are reverse DIA capital flows. Finally negative reinvested earnings are reverse DIA capital flows. Reinvested earnings are negative when DIA affiliates incur losses, distribute earnings to their U.S. parents in excess of the affiliates' current earnings, or when the current-cost adjustment to reinvested earnings exceeds its value before the adjustment.