

Gazprom has permission to buy the German company Envacom

Konrad Mazur

The German anti-trust office on 26 October granted Gazprom permission to purchase the German company Envacom. The Russian giant has been making efforts for several months to buy this firm, which is operating in the sectors of renewable energy, telecommunication and IT. As regards the renewable energy sector, in which Envacom has engaged 25% of its capital (70 million euros), the company produces electric energy using only renewable energy sources (RES), mainly from wind farms, solar power plants and bio-gas plants, and sale of this energy to retail customers in Germany. Envacom is also engaged in the retail sale of gas. The company is currently investing in new RES power plants which are being built in Germany and Italy. Following the purchase of Envacom, Gazprom will take over 500,000 of the company's clients, including approximately 125,000 retail recipients of electricity and gas.

Commentary

- The anti-trust office has granted permission for the purchase of Envacom because its takeover will not ensure Gazprom competitive advantage on the market and will not adversely affect the development of competition. This deal will enable Gazprom to enter the German retail market. Gazprom has to search for new investments solutions on the European market due to the limitations resulting from the implementation of anti-trust regulations regarding energy markets in the EU. Pursuant to provisions of the third energy package, EU member states are obliged to ensure the unbundling of transport from supplies and distribution on their gas and electricity markets, which may reduce Gazprom's control of gas transport for instance.
- Gazprom's purchase of such a small company as Envacom will not have a major impact on the German energy market. However, this takeover will mean that Gazprom will for the first time enter the electric energy sector in Germany, which it has not managed to achieve so far through co-operation with such German corporations as E.ON or RWE. Gazprom will thus gain a stronghold and also access to the retail electric energy market in Germany. In the longer term, Gazprom could also possibly sell electric power produced by power plants powered by Russian gas. The building of such power plants will depend on the outcome of the talks pending with RWE regarding the establishment of a joint venture.

The takeover of Envacom will also provide Gazprom with access to retail gas recipients. Thus far, Gazprom has been distributing gas in Germany to large firms and factories only as a shareholder, for example via VNG, which it holds over 10% of the shares in. In total, Gazprom's share in gas distribution on the German market stands at over 10%.

- As a consequence of the purchase of Envacom, Gazprom could also gain access to innovative energy technologies and the renewable energy market in Germany, for example solar power plants and bio-gas plants.