

Changes in the ownership structure of the Slovak gas company SPP

Jakub Groszkowski, Zmiany własnościowe w słowackiej spółce gazowej SPP

On 4 September the Slovak prime minister, Robert Fico announced an agreement between the government and Energetický a průmyslový holding (EPH), under which the state will take over 49% of the company's shares worth 59 million euro and managerial control in Slovenský plynárenský priemysel (SPP), the main gas importer in Slovakia. Owing to this transaction, the state will become the sole owner of SPP. The gas infrastructural companies previously controlled by SPP are to be transferred to a new entity, in which SPP will keep 51% of shares. Remaining shares together with managerial control will be held by EPH. This common SPP and EPH business will own companies which possess the domestic network of gas distribution (SPP – distribúcia), gas storage facilities (SPP Storage) and the Slovak section of the Brotherhood gas pipeline which supplies the majority of Russian gas to the EU market (Eustream). At the beginning of this year EPH, which is owned by two Czech businessmen and the Slovak finance group J&T, has bought 49% of the SPP shares together with managerial rights for 2.6 billion euro from E.ON Ruhrgas and GDF Suez. Slovakia, which uses 5.2 billion m³ of gas annually, imports it mainly from Russia under a 20-year contract signed with Gazprom Export in 2008. Last year SPP paid US\$429 for 1000 m³ gas, slightly above the average in the EU.

Commentary

- One of Mr Fico's flagship slogans is to maintain a low and stable gas price for households. Taking over control of key economy sectors which have been privatised by the centre-right governments of Mikulas Dzurinda takes a similar priority. The government, through its appointee in the Regulatory Office for Network Industries (URSO), effectively blocked SPP's demands to increase gas prices. The foreign co-owners of the company were, however, opposed to this practice and turned to arbitration. Taking full control over SPP will enable the government to avoid arbitration. However, the Slovak government will no longer be able to blame SPP's foreign co-owners for high gas prices.
- The price that the government paid to buy 49% of SPP shares was taking on 59 million euro of the company's debt assigned to EPH. The Slovak government declared that it intends to put the company's finances in order within three or four years; it is currently making losses while maintaining low gas prices for consumer. The Slovak government is

planning to restructure SPP and sell off stored gas worth 150 million euro. However, the improvement of the company's financial situation depends on the results of the renegotiations of the gas contract with GazpromExport. The Slovak minister for the economy admitted that he hopes the gas prices in the contract will be quite similar to those on the spot markets. It cannot be ruled out that the Slovak-Russian agreement will not only cover the gas market but also extend to the investment in new nuclear blocs in Jaslovske Bohunice which the Russian state-owned company Rosatom is interested in.

- In the opinion of the right-wing opposition, the state acquisition of SPP means in fact taking over the company's debt and thus removing this burden from EPH which will retain managerial control and 49% of shares in the gas infrastructural companies which are making profits (SPP – distribucia, SPP Storage, Eustream). The opposition points to good relations between the ruling party Smer-SD and Slovak business people from the capital group J&T which is the co-owner of EPH.

