# Germany: nationalisation of Uniper

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On 21 September 2022, Germany's Vice Chancellor and Minister for Economic Affairs and Climate Action (Greens) presented the details of a new rescue plan for the Uniper energy company. Pursuant to an agreement with its largest stakeholder, the Finnish-owned Fortum (which holds a 78%-stake), Germany is to acquire a total of nearly 99% of the company's shares. Uniper is to issue a block of 4.8 billion new shares which the German state will purchase for 8 billion euros, thus acquiring a 93%-stake in the company. The government will then buy out all the shares still held by Fortum for 480 million euros (following Uniper's recapitalisation by way of issuing the aforementioned block of shares, Fortum will be left with a mere 6% of the shares). In addition, Berlin has pledged to fully repay the 4 billion euro loan and to take over the 4 billion euro credit guarantees that Fortum provided to Uniper at the end of 2021.

These terms of the agreement are subject to approval by the European Commission for their compatibility with state aid rules. In addition, the German state-owned bank KfW, through which the shares are to be purchased, is to provide Uniper with the funds it needs to maintain its financial liquidity. No details have been provided regarding the amount of this aid; it will depend in part on further developments on the natural gas market. At the beginning of September 2022, at Uniper's request, KfW increased its credit line from the 9 billion euros (which it has already used) to 13 billion euros.

The new agreement replaces the first rescue package agreed between the German government and Fortum on 22 July 2022 (see '*Zbyt wielki, by upaść – niemiecki plan ratunkowy dla Unipera*'). Its main provisions formulated at that time included Germany's intention to buy 30% of Uniper's shares from Fortum for 270 million euros and to recapitalise the company by injecting 7.7 billion euros into it (including a requirement to convert this capital into equity by issuing shares at a specific date – *Pflichtwandelanleihe*). These have not been implemented due to the lack of approval from the European Commission and will be replaced with new provisions. Mr Habeck estimates that the European Commission should give the green light to the implementation of the terms of the new agreement by the end of 2022.

Uniper is among the companies of key importance to the German energy sector, in particular the natural gas sector. It is Germany's biggest gas importer – it is bound by long-term contracts for the supply of 370 TWh of gas annually (36% of domestic consumption in 2021, with 200 TWh of this volume coming from Russia) and its customers mainly include utility companies and large industrial facilities. In addition, it is the country's leading gas storage facility owner in terms of storage capacity (5.9 bcm out of 23 bcm) and is presently considered to be Germany's largest importer of liquefied natural gas (it has also leased two floating LNG terminals on behalf of Germany). In June 2022, the company found itself in deep financial trouble due to a 60% reduction in gas volumes received under its long-term contracts from Gazprom. To continue to meet its obligations involving the sale of gas to domestic customers under its valid contracts, Uniper (just as other German importers of Russian gas such as VNG, Wingas and RWE) is now forced to source the missing volume of gas on the market at prices many times higher than those it had agreed with Gazprom. This is generating billions in losses, as importers are not allowed to increase prices for their customers under a valid contract.

**Commentary**

- The government's rescue package for Uniper agreed in July proved highly insufficient when several days following its announcement Gazprom once again reduced the volume of gas sent to Germany (including to Uniper) to 20%, and at the end of August stopped the export completely. Due to the total halt in Russian gas supplies and the related record-high increase in the price of gas on the markets (the price reached 300 euros per 1 MWh, ten times higher than the corresponding period in 2021) the company's financial standing has deteriorated severely. Daily losses almost doubled – from around 60 million euros to more than 100 million euros. According to Fortum, since the beginning of 2022 they have amounted to a staggering 8.5 billion euros. Unofficial information cited by the media suggests that the first rescue package was allegedly based on the assumption that Russia would not cut off gas supplies to Germany completely and that the price of gas on the gas hub would oscillate around 160 euros per 1 MWh. Due to the magnitude of the problem and the unlikelihood of an improvement of the situation on the gas market, as early as July 2022 Fortum was prepared to sell at least Uniper's gas business to the German state, but at that time Germany was not willing to make this move, preferring to acquire just a minority stake to hold it for a transitional period. However, due to the deterioration of the crisis, Germany began to increasingly contemplate nationalising the company as the only way to stabilise it.
- The rescue package, worth a total of 29.5 billion euros, is the largest financial aid package for a single company in German history and reflects Uniper's strategic importance to the German energy sector, in particular the natural gas sector. Since the beginning of the company's problems, representatives of the federal government have made it clear that it should be rescued at any cost, as its collapse would trigger a dangerous domino effect and a decline in the energy industry that would be difficult to manage. In this context, Vice Chancellor Habeck has repeatedly warned against the "Lehman Brothers effect".
- Uniper is not the only German energy company to be affected by a serious crisis resulting from Gazprom cutting off gas supplies to Germany. At the beginning of September 2022, Germany's third biggest gas importer, VNG, officially applied for state financial assistance. The company has an approximately 20%-share in the German gas market and until recently Russian gas accounted for around 20% of its portfolio. SEFE (formerly Gazprom Germania), which at present is under the trusteeship of Germany's Federal Network Agency, is another company to have received assistance – it was granted a 9.8 billion euro loan via KfW (see '*Niemcy: kolejne kroki w przejmowaniu kontroli nad spółką*

*Gazprom Germania*’). Both of these companies are the subject of rumours that a portion of their stake could be taken over by the state (VNG) or even nationalised (SEFE). In the latter instance (Gazprom continues to be the formal owner of SEFE) this would equate to ultimately stripping Russians of control of all of their assets in the German gas sector.

- The nationalisation of Uniper has increased controversy over a new gas levy to be paid by all gas consumers in Germany starting from 1 October 2022. The proceeds from this levy are expected to cover 90% of the losses incurred by gas importers resulting from the need to replace Russian gas with gas from other sources. This equates to shifting the cost of rescuing the gas companies onto households and other entities, which has sparked strong reactions in Germany. According to estimates, two thirds of these funds will go to Uniper (around 25% to SEFE and VNG). Numerous experts and some politicians (including Habeck) have doubts whether this mechanism will continue to comply with the German constitution following the nationalisation of its biggest beneficiary. In a related case, in 1994 the German Federal Constitutional Court abolished a levy (*Kohlepfennig*) through which German electricity consumers were intended to subsidise domestic hard coal production. Habeck suggested that once the state acquires a stake in Uniper, which is planned to occur at the turn of 2022 and 2023, the gas levy could be abolished (especially if other beneficiaries are nationalised) or modified accordingly.
- For the federal government, Uniper’s nationalisation will pave the way for new opportunities to have an impact on the company’s operations. Various groups, in particular the Greens and environmental organisations (such as DUH and BUND), have called on the government to reorient the company’s business profile, especially in the field of electricity generation, from traditional conventional energy generation (Uniper operates gas-fired, coal-fired and nuclear power plants with a total capacity of 33 GW, including in Germany, the Netherlands, Sweden and Russia) to investments in renewable energy sources and new technologies that meet the requirements of the energy transition. Habeck has announced his intention to review the company’s portfolio and to implement the measures the government will be allowed to introduce once it acquires the company. From the Greens’ perspective, particularly contentious issues include: the nuclear power plants in Sweden (for ideological reasons) and the coal-fired and gas-fired units in Russia (for political reasons). Uniper intended to sell its Russian assets in 2021 but, due to the lack of satisfactory bids, the sale did not happen.