

Gazprom and RWE Interests 'Match'

By [The Moscow Times](#)

August 09, 2011

The  Moscow Times

FRANKFURT — RWE and Gazprom are both willing to develop further their exclusive talks, begun last month, on power station ventures and gas prices, the German utility said Tuesday.

"There is a match of interests. We want to conclude a new, modernized gas supply treaty with our biggest supplier ... while Gazprom for its part wants to increase its value creation here," chief executive Juergen Grossmann said in a press call.

"If we work hard at it, we can soon reach a result that will be interesting for both sides," he added.

The utility and the Russian gas monopoly signed a memorandum of understanding in July to hold three months of exclusive talks to explore energy projects that could lead to a gas and coal power joint venture in Germany, Britain and the Benelux countries.

Germany's decision to exit nuclear power has prompted its largest utilities to look to Russia for investment and as a source of natural gas for low-carbon power production.

Because of Germany's decision, RWE said its core net profit plunged 40 percent in the first six months of the year.

Grossmann said suitable assets in Germany, Britain and the Benelux countries were being selected for the potential venture. RWE would like any deal to comprise plants fired by hard coal and brown coal as well as the gas-fired that would be a natural fit for the Russian company.

Coal-fired plants emit broadly double the carbon dioxide of gas-fired plants. RWE as a coal-biased producer must uphold a costly long position in carbon emissions rights, and a joint venture that included coal would mean that Gazprom would help share the CO₂ burden.

RWE's dilemma accords with Gazprom's motive to improve German sales margins by not just selling gas but also by participating in the local power generation business, Grossmann said.

Grossmann swept aside any suggestion that RWE's British electricity unit Npower or parts of it might be sold to Gazprom. "Npower is not at all an object of the discussions," he said.

Apart from the power plant cooperation, the talks seek to resolve the issue of overpriced gas procurement contracts, which have hit RWE as much as many other European importers.

Gazprom, which sells Germany 40 percent of its gas, insists on selling under long-term oil-indexed contracts, which at low spot market prices force partners such as RWE and bigger rival E.On to incur losses when selling on the gas.

RWE confirmed that it had begun arbitration proceedings in this matter like E.On, which is more exposed because of its greater market share and stands to post a 1 billion euro (\$1.4 billion) loss in gas trading in 2011.

RWE also brushed aside expectations of possible repercussions from the planned partnership for the Nabucco pipeline, which aims to bring Caspian region gas to Europe via Turkey, bypassing Russia, and in which RWE has a leading role.

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