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Germany Okays RWE Oil and Gas Sale to Russian Investor Despite Sanctions

By The Moscow Times

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A horse carriage passes the Niederaussem coal power plant of RWE Power, one of Europe's biggest electricity and gas companies, in Rheidt, north-west of Cologne, Germany.

BERLIN/FRANKFURT — Germany's Economy Ministry approved the sale of utility RWE's oil and gas unit DEA to a Russian investor despite tensions between Russia and the West over the Ukraine crisis.

The go-ahead announced on Friday removes the biggest hurdle for the 5.1 billion euro ($6.9 billion) sale, a major plank in RWE's struggle to reduce a debt burden of more than 30 billion euros ($39 billion).

As part of the deal, Russian tycoon Mikhail Fridman and his co-investors will get stakes in about 190 oil and gas licenses or concessions in Europe, the Middle East and North Africa.

Relations between Russia and the West were already deteriorating over Ukraine when the deal

was announced in March.

The EU and the U.S. have imposed economic sanctions against Russia for its annexation of Ukraine's Crimean peninsula and its backing of pro-Russian separatists, who are fighting against government forces in eastern Ukraine. Russia, in turn, has slapped bans on Western food imports.

But Deputy Economy Minister Stefan Kapferer told journalists on Friday that the government found that the deal would not endanger Germany's energy supply and the buyer consortium's European Union base had also been a decisive factor.

Process Continues

The European Union's anti-trust watchdog has already given the green light but regulators in a few other countries, which RWE declined to name, have yet to give their approvals.

DEA has operations in about a dozen countries, including Britain, Norway, Denmark and Egypt.

The German government could theoretically have used a clause in its foreign trade law that allows it to block takeover deals that threaten "public safety and order," but it would have been an unprecedented move.

RWE, Germany's largest power producer, has previously said it expects the deal to be finalized this year.

"We will now pursue the process further as planned," the company said in a statement on Friday.

RWE, like other German utilities, is struggling to adjust to a power sector shake-up as Germany moves away from nuclear energy and encourages a shift to renewables, while Europe's energy demand is weak.

The debt-burdened firm's market value has halved in four years.

RWE has been looking for ways to reduce its debt, including cutting jobs and shedding assets, such as the 1.6 billion euro ($2.1 billion) sale of Czech gas pipeline operator Net4Gas last year.

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