

German federal government secures fiduciary management of Gazprom Germania for the longer term and grants KfW loan to ensure security of supply

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In order to safeguard security of supply in Germany, the federal government will secure the fiduciary management of Gazprom Germania for the longer term and grant the company, which has got into difficulties due to sanctions imposed by the Russian side, a loan to protect it from insolvency. The move will sustain the government's influence over this part of the critical energy infrastructure and prevent energy security from being jeopardised.

To this end, the Federal Chancellery, the Federal Ministry for Economic Affairs and Climate Action and the Federal Ministry of Finance have decided to extend the fiduciary management of Gazprom Germania GmbH (GPG) beyond September 2022. Specifically, the fiduciary management is to be more closely focused on the requirements of securing the energy supply and ordered on the basis of the amended Energy Security of Supply Act (section 17 EnSiG). It has so far been based on the Foreign Trade and Payments Act (AWG) and limited to the end of September 2022. The EnSiG, by contrast, will give the fiduciary more options to strengthen energy security. In a further change, the new legal basis will allow the fiduciary management to be extended several times.

With the loan from the KfW bank, the federal government will avert an insolvency and prevent a cascade effect in the market. The money will serve to secure liquidity and procure replacement gas. The loan will be ring-fenced to ensure that it can only be used for the business operations of GPG and to maintain the gas supply and cannot flow to Russia. In the next step, the government will consider ways of converting the loan to equity in order to guarantee security of supply for the long term.

Finally, GPG will be renamed "Securing Energy for Europe GmbH" (SEFE), sending a clear signal to the market that the aim of the measures taken is to secure the energy supply in Germany and Europe. The business model of SEFE will also be based on this principle.

Gazprom Germania GmbH is a key company for the gas supply in Germany and operates critical energy infrastructure in the country. Its business areas include energy trading, gas transport and the operation of gas storage facilities. The gas supply of many municipal utilities in Germany depends indirectly on it, so it is necessary to keep the business going in order to uphold security of supply.

Background information:

Gazprom Germania GmbH, which was part of the Russian Gazprom group, has been under the fiduciary management of the Bundesnetzagentur since 4 April 2022. The background to this was, among other things, the untransparent sale of the company to a Russian undertaking with unknown beneficial owners and the order made by that undertaking to liquidate Gazprom Germania.

The fiduciary management transferred the voting rights of the shares in GPG to the Bundesnetzagentur. While the fiduciary management is in place, orders of the company require the consent of the fiduciary. The Bundesnetzagentur has appointed a chief executive officer and is entitled to issue instructions to him.

On 11 May 2022, Russia imposed sanctions on Gazprom Germania and almost all the subsidiaries of it, causing financial difficulties for the company. The gas deliveries that did not take place as a result of the Russian sanctions made it necessary to procure replacements at the current very high market prices. These, plus other factors including the necessary securities (margin calls) worsened the financial situation of GPG to such an extent that the federal government has had to secure its liquidity with a KfW loan.

Information about the fiduciary management under the Energy Security of Supply Act

The current fiduciary management is based on an "individual intervention" under the Foreign Trade and Payments Act (section 6 AWG) and is limited to six months to the end of September 2022. Preparations are now being made to transfer the fiduciary management to the basis of the Energy Security of Supply Act (EnSiG) so that the fiduciary management can be secured for the longer term.

The revised EnSiG entered into force on 22 May 2022. It creates new legal bases for particular measures to avert crises, which may, under certain, clearly defined conditions, be applied even before a direct threat or disruption to the energy supply has occurred. These include the possibility for companies operating critical energy infrastructure to be placed under fiduciary management if needed, which means if they are no longer able to fulfil their duties sufficiently and there is a potential detriment to security of supply.

Under section 17 EnSiG, the fiduciary management order must be made as an administrative decision of the Federal Ministry for Economic Affairs and Climate Action (BMWK). The order is limited to six months but, unlike the current legal basis, can be extended repeatedly.