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FEDERAL MINISTRY FOR ECONOMIC AFFAIRS AND CLIMATE ACTION (BMWK)
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Securing the gas supply: Federal government transfers gas company SEFE to federal ownership – capital measures ordered

In order to secure the gas supply in Germany, the Federal Government is transferring the ailing gas company Securing Energy for Europe GmbH (SEFE) into the ownership of the Federal Government. To this end, the Federal Ministry of Economics and Climate Protection (BMWK) today ordered capital measures under the Energy Security Act.

The reason is SEFE's balance sheet over-indebtedness and the resulting threat of insolvency, which would endanger the security of supply in Germany. In order to avert this danger and to maintain SEFE's operational business activities, the change of ownership is now being carried out and the company stabilised. The corresponding order was published today in the Federal Gazette.

SEFE is a key company for energy supply in Germany. It formerly traded as Gazprom Germania GmbH (GPG) and belonged to the Russian state-owned group Gazprom. After an opaque sale of GPG to another Russian company and its attempt to liquidate GPG, GPG/SEFE has been under trust administration by the Federal Network Agency since April. However, the ownership structure is still unclear.

Since the spring, SEFE has been in serious financial difficulties due to Russia's actions, especially Russian sanctions against GPG/SEFE and almost all its subsidiaries. The situation is aggravated by the fact that business partners and banks want to end their business relations with SEFE or do not want to enter into new ones due to the unclear ownership situation. This endangers the continuation of SEFE's business operations and thus the gas supply. SEFE had already received loans worth billions from the federal government to stabilise its situation. In the meantime, it has applied to the BMWK for another comprehensive stabilisation measure under the Energy Security Act.

Due to SEFE's systemic relevance for energy supply in Germany, the Federal Government is now creating clarity in the ownership structure via capital measures, stabilising the company and thus securing the gas supply. To this end, the BMWK has taken several interconnected steps.

Capital cut

With the help of a capital cut ordered today, the losses and the resulting negative equity of SEFE will be offset against the revenue and capital reserves and the share capital reduced to zero. With this step, the previous shareholder of the company loses his shareholder status.

The capital cut is linked to compensation. The amount of the compensation is based on the market value of the SEFE shares. The compensation procedure has not yet been completed.

At the same time, the federal government carries out a capital increase at SEFE by order. For this purpose, Securing Energy for Europe Holding GmbH (SEEHG) was founded, which is solely owned by the federal government. As part of the capital cut, it gradually injects fresh share capital into SEFE, totalling 225.595 million euros, and thus takes over as the sole new shareholder. This completes the change of ownership.

The provision of the new share capital has already been approved by the EU Commission under state aid law.

Loan

In order to secure the company's liquidity, the federal government had already taken stabilisation measures in favour of SEFE in the spring by gradually granting the company a KfW loan totalling EUR 11.8 billion. The KfW loan will now be increased again to EUR 13.8 billion to compensate for the elimination of the gas levy.

New equity

In addition, the Federal Government plans to further strengthen SEFE's equity by the end of the year through a debt-equity swap. In this process, significant parts of the € 13.8 billion KfW loan are to be converted into equity through a contribution to SEFE's capital reserve. The remaining part of the KfW loan will continue to be available to SEFE as debt capital.

The debt-equity swap is subject to approval under state aid law by the EU Commission, with which the BMWK is in intensive talks.

Funding

The measures will be financed from the 200 billion euros of the reactivated Economic Stabilisation Fund (WSF 2.0).

Legal basis and justification

Pursuant to section 17a of the Energy Security Act (EnSiG), the BMWK can order capital measures by means of an administrative act for a company that is placed under trust administration pursuant to section 17 of the EnSiG. The prerequisite is that without this capital measure the security of supply would be endangered, for example through insolvency. The order for a capital measure can, among other things, provide for the dissolution of reserves, a reduction in the share capital and a subsequent increase by a federal company.

The measure is justified by the stability of the gas supply. Wingas (a major part of the SEFE Group) has municipal utilities as customers. Its market share in Germany is around 20 percent. An insolvency of Wingas would force the downstream trade and consumer stages to procure replacements at short notice, which could lead to further insolvencies and gaps in supply.

Further information: *Order pursuant to § 17a of the Energy Conservation Act regarding SEFE Securing Energy for Europe GmbH*