E.ON to tackle Npower after EU clears Innogy takeover

ESSEN, Germany/BRUSSELS (Reuters) – E.ON (EONGn.DE) will move quickly to address problems at Npower, the loss-making British retail business it is taking over after European regulators approved its purchase of assets from peer Innogy (IGY.DE), the German energy group's CEO said on Tuesday.

"(Npower) is an open wound which bleeds heavily," Johannes Teyssen told journalists. "I am pretty sure that we will make statements on the matter in the course of this year."

His comments came after European Union antitrust regulators earlier cleared E.ON's purchase of Innogy's network and retail assets, paving the way for a major reshuffle in Germany's energy sector that was first unveiled in March 2018.

The approval seals the fate of Innogy, which was carved out from RWE (RWEG.DE) and listed three years ago as a separate entity, with its assets being taken over by its parent and

E.ON.

Npower, one of Britain’s big six energy suppliers, has been losing money for years and both Innogy and E.ON have said they would look at all options for the business, leaving room for a sale, restructuring or winding it down.

Innogy’s break up marks the biggest overhaul in Germany’s power industry since the country sped up its exit from nuclear energy earlier this decade, and will turn E.ON into a networks and retail energy group with more than 50 million customers.

RWE, in turn, will become Europe’s No.3 renewables player after Spain’s Iberdrola (IBE.MC) and Italy’s Enel (ENEI.MI) and hold a 16.7% stake in E.ON, making it the largest shareholder. RWE CEO Rolf Martin Schmitz will join E.ON’s supervisory board.

PAINFUL CONCESSIONS

The European Commission, which oversees competition policy in the 28-member EU, approved the deal on condition E.ON sells certain businesses in Germany, the Czech Republic and Hungary.

“It is important that all Europeans and businesses can buy electricity and gas at competitive prices,” EU Competition Commissioner Margrethe Vestager said in a statement, adding E.ON’s commitments meant the deal would not lead to less choice or higher prices.

E.ON agreed to drop most of its customers supplied with heating electricity in Germany and to discontinue the operation of 34 electric charging stations along German autobahn highways.

It will also divest part of its retail business in Hungary as well as Innogy’s retail power and gas business in the Czech Republic, which have already drawn interest from potential buyers, Teyssen said.

The disposals, which include about 2 million supply customers, will reduce E.ON’s results by more than 100 million euros ($110 million), he added.

Teyssen said he was relieved by the regulatory clearance after the Commission vetoed deals by Siemens (SIEGn.DE) and Alstom (ALSO.PA) as well as Thyssenkrupp (TKAG.DE) and Tata Steel (TISC.NS) earlier this year.

“We decided in favor of addressing the concerns and against having our way no matter what,” Teyssen said. “Considering … E.ON’s outstanding development opportunities, these quite painful concessions are tolerable.”

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