Romania's plans to grant power company Complexul Energetic Oltenia restructuring aid for up to €2.66 billion (RON 13.15 billion) is in line with EU state aid rules, the European Commission's anti-trust chief said on January 26, adding that the measure will enable the company to finance its restructuring plan and restore its long-term viability.

"The restructuring plan submitted by Romania and the aid to support it will ensure that CE Oltenia can return to long-term viability without the need of continued State aid," European Commission Executive Vice-President for Competition Policy **Margrethe Vestager** said.

"The public support comes with safeguards to make sure that possible distortions of competition are kept to the minimum and that the measures will support the EU decarbonisation objectives, in line with the European Green Deal," she added.

CE Oltenia is a Romanian public undertaking active in mining, power generation and local heat supply. The company is the third largest producer of electricity in Romania and is important for reasons of safety and adequacy of the National Energy System (NES).

On February 5, 2021, the Commission opened an in-depth investigation to assess whether the restructuring plan submitted by Romania on 4 December 2020 and the related restructuring aid measures to support it were in line with EU State aid rules, more specifically the Commission's Guidelines on rescue and restructuring aid.

During the in-depth investigation, Romania submitted a revised restructuring plan for the company, for the period 2021-2026, with significant modifications and improvements, the Commission said in a press release, adding that the plan will be supported by restructuring aid of up to €2.66 billion in the form of grants, a State guarantee for a loan, a capital injection, and a loan-to-grant conversion.

According to the Commission, the restructuring plan builds on Romania's decarbonisation plans to replace lignite-based electricity production with electricity produced from natural gas and renewables (solar and hydropower) which emit less or no CO2. This is expected to help the company improve its environmental footprint and, at the same time, reduce its operating costs. In addition, the restructuring plan will reduce the costs and improve the efficiency of the company, through, among others, organisational and managerial measures (e.g., improvements of processes), and financial measures (optimisation of bank loans, divestment or sales of assets).

The plan submitted by Romania generally supports the green objectives of decarbonisation set out in Romania's Recovery and Resilience Plan (RRP), the Commission said. However, the Commission's State aid assessment of the restructuring plan for CE Oltenia under the present decision is separate and without prejudice to the Commission's assessment of the implementation of Romania's RRP, the Commission added.

The Commission said it assessed the restructuring plan and the restructuring aid under its Guidelines on rescue and restructuring aid.
The Guidelines only allow a State intervention in a company in financial difficulty under specific conditions, requiring in particular that the company undertakes a sound restructuring plan to ensure its return to long-term viability, that the company contributes to the cost of its restructuring, that competition distortions are limited and that the measure contributes to an objective of common interest.
The Commission said the aid is appropriate, as it addresses both liquidity and solvency issues of the company. In particular, the Commission found that Romania will be appropriately remunerated for the aid. In this respect, the remuneration of the State will be achieved through expected positive net earnings increasing the value of the public stake in CE Oltenia and via the divestment of a minimum of 20% shares held by the State before 2026 as foreseen under the restructuring plan.
Furthermore, the Commission found the aid proportionate, with an own contribution from the company and market investors to the expected costs of restructuring amounting to over 30% of the restructuring costs (€1.24 billion), half of which consisting in fresh funding by private investors and financial institutions at market conditions.
Finally, compensatory measures are provided to limit potential distortions of competition triggered by the aid. This includes the creation by CE Oltenia, alongside other electricity producers, of dedicated special purpose vehicles for co-investment and operation of natural gas and photovoltaic power plants, as well as bans on the acquisition of interests in competing operators and on the advertisement of State support as a competitive advantage.
The Commission said the aid will support the decarbonisation of electricity production in Romania and, more generally, in Europe, in line with the EU objectives set out in the European Green Deal and with EU environmental rules.
Source: neweurope.eu