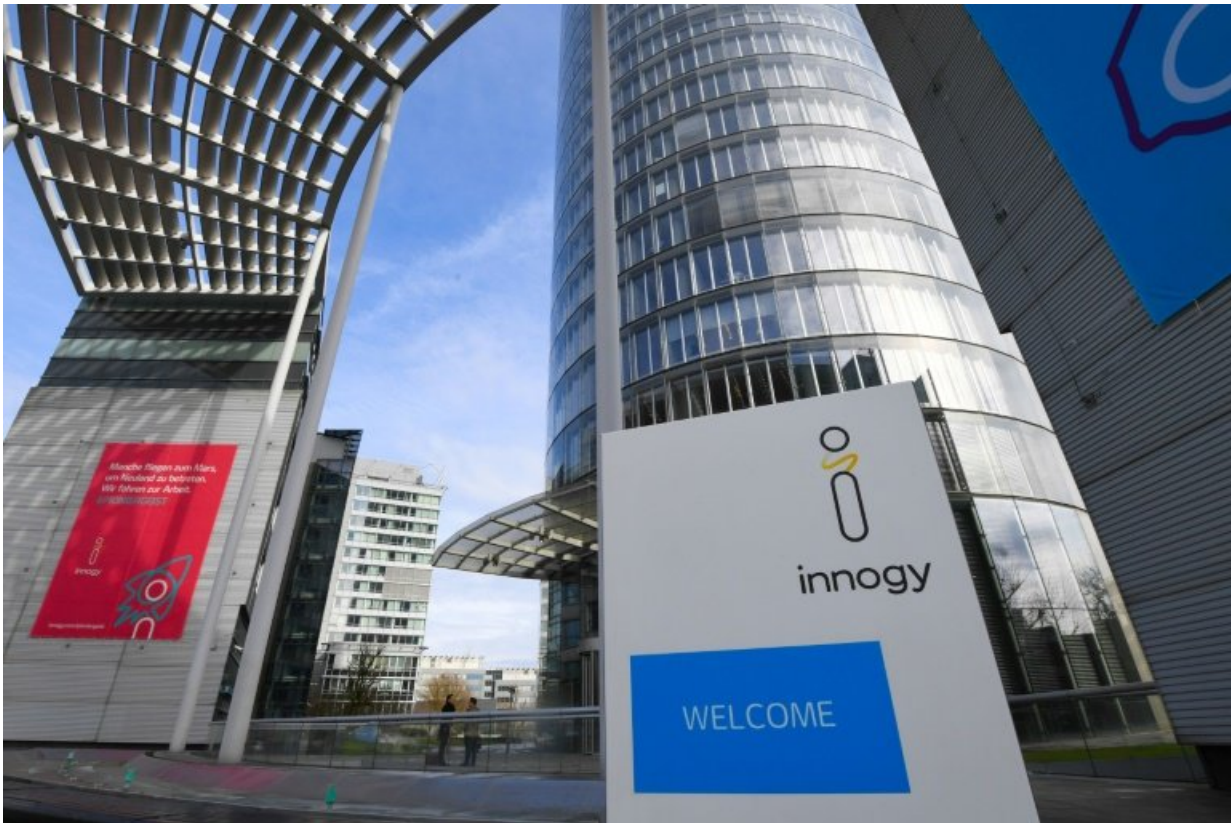


German utility EON to cut 5,000 jobs in RWE mega-deal

March 12 2018, by Coralie Febvre



RWE is selling German energy renewables unit Innogy to EON in a complex deal that will redraw Germany's energy landscape

German utility EON on Monday said it plans to cut up to 5,000 jobs as part of its takeover of the renewables unit Innogy from rival RWE, in a

deal that will redraw the country's energy landscape.

In a joint statement, EON and RWE said they planned to complete their asset swap transaction, which surprised investors when it was unveiled this weekend, "by the end of 2019".

EON said it expects the Innogy takeover to generate some 600 to 800 million euros in savings annually from 2022, but warned that the "integration process" will lead to "a reduction of a maximum of 5,000 jobs" out of a total of around 70,000 jobs.

"At the same time, EON anticipates to create thousands of new jobs in the coming decade," the statement added.

The ultimate goal of the transaction is to allow EON to focus on retail customers and on managing energy networks, essentially buying and selling electricity, while RWE will specialise in generating power from fossil fuels and renewables.

The complicated arrangement comes amid huge upheaval in the sector as Europe's top economy switches from conventional to renewable power under the government's so-called "Energiewende" or "[energy transition](#)".

The deal would first see EON acquire RWE's 76.8 percent stake in Innogy, valuing the clean-energy spin-off at some 22 billion euros.

Pending the green light from financial regulators, EON then intends to make a voluntary takeover offer to Innogy's minority shareholders from "early May", offering 40 euros per share.

RWE for its part would gain an effective participation of 16.67 percent in EON—turning the one-time competitor into EON's largest shareholder.

The next step of the deal would see RWE take control of EON's renewables business, including Innogy's renewables, its gas storage business, its stake in Austrian energy supplier Kelaq and EON's minority stakes in two [nuclear power plants](#).

In return, RWE will make a cash payment of 1.5 billion euros to EON.

Innogy's energy networks and customer base would remain with EON.

The transaction is still subject to regulatory approval.

The deal would make RWE "a leading European electricity producer," according to the statement, as the firm becomes Europe's third-largest renewables producer while also hanging on to gas and [coal-fired power plants](#) to ensure "security of supply" despite their harmful impact on the environment.

EON meanwhile said it would "focus entirely on meeting the demands of its around 50 million customers across Europe", and pledged to look into novel climate protection solutions—such as the faster roll-out of charging stations for electric cars.

Merkel welcomes deal

Chancellor Angela Merkel welcomed the companies' manoeuvres earlier Monday, saying she was "confident" both EON and RWE were working to find "the best ways" to assure "the supply of sustainable energy" and respond to the country's energy shift.

Germany's energy market has been rapidly transformed since Merkel announced a phase-out of nuclear power after Japan's 2011 Fukushima disaster.

Under the "[energy](#) transition", Germany has raised the share of solar, wind and other renewables to about one third of electricity production.

As wholesale power prices have dropped, the big utilities have been forced into major restructuring.

In response to those challenges, EON spun off its fossil fuel operations and invested heavily in renewables, while RWE remains the biggest [power](#) producer and still operates major coal-fired plants.

In a separate statement Monday, EON unveiled its 2017 financial results, which showed adjusted net profits jumping 58 percent year-on-year to 1.4 billion euros.

Operating, or underlying, profit came in at 3.1 billion euros, while EON was also able to trim its massive debt from 19.7 billion last October to 19.2 billion euros.

RWE is due to announce its results on Tuesday.

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Citation: German utility EON to cut 5,000 jobs in RWE mega-deal (2018, March 12) retrieved 27 April 2024 from <https://phys.org/news/2018-03-german-eon-jobs-rwe-mega-deal.html>

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