

Bulgaria: Purchase of Bulgarian assets of CEZ - CPC reopening in-depth probe

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Date : September 2, 2020

Last month, the Sofia Administrative Court cancelled a decision by the Bulgarian Commission for the Protection of Competition (CPC) to forbid the sale of the local assets of Czech energy company (CEZ) to local insurer Eurohold. The court returned the case to the regulator and requested it to conduct a new probe into the proposed deal in line with the court-prescribed guidelines. The court cancelled the decision because the CPC published it just 14 days after announcing that it will carry out an in-depth probe of the deal, even though interested parties are allowed by law to file statements regarding the effect of the deal on the competition on the respective markets within a 30-day period.

Last October, CPC announced that it did not approve the acquisition of Bulgarian assets of CEZ by Eurohold Bulgaria. The statement from the regulator said that it decided to forbid the proposed acquisition because combining the experience of the economic resources and market positions of the two groups in the electricity and insurance sector creates prerequisites for the notified deal to lead to the establishment or strengthening of dominant position. If concluded, the deal would lead to considerable advantage for the participants in the concentration which would hamper effective competition on the respective markets. In June same year, Eurohold announced that it has agreed with Czech energy company CEZ to purchase its assets in Bulgaria for a sum of 335 million euros. The acquisition will be financed through both equity and debt financing, and has already mandated two global investment banks to arrange the funding for the transaction. In February 2018, CEZ said that its Supervisory Board gave consent to the sale of its Bulgarian assets to Bulgarian company Inercom for an undisclosed sum, but the media speculate that the amount is around 320 million euros. The sale package includes: electricity distributor CEZ Distribution Bulgaria, electricity supplier CEZ Electro Bulgaria, electricity trader CEZ Trade Bulgaria, IT services company CEZ ICT Bulgaria, solar park Free Energy Project Oreshetz, biomass-fired power plant Bara Group and CEZ Bulgaria, which manages and coordinates the operations of all abovementioned companies. At first, Bulgarian state said that it would like to be a part of the deal with CEZ, but in early April, Minister of Finance Vladislav Goranov said that the state is not going to be involved in any way in the acquisition of all or part of Bulgarian assets of Czech energy company CEZ. In July 2018, CPC announced that it has prohibited the sale of Bulgarian assets of Czech energy company CEZ to local company Inercom. CPC said that this sale agreement would lead to the establishment of a dominant position, that would affect the competition on the market. The deal is of a strategic importance for the country and its potential effects would have direct implications for national security, due to the the wide range of activities of the companies being acquired and their importance to the Bulgarian electricity system. In September, Ginka Verbakova, the owner of Inercom Group, has left the ownership structure of several local companies that operate solar power plants in order to save the deal with CEZ on the sale of its Bulgarian assets to Inercom, after which Inercom has submitted a new notification to CPC. In April 2019, CEZ terminated the purchase



agreement with Inercom and started exclusive negotiations with Bulgarian financial and insurance company Eurohold.