

Romania: In accordance with a new law, Hidroelectrica's IPO effectively postponed

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The law which temporarily prohibits the sale of stakes in state-owned companies was approved by the Romanian President Klaus Iohannis. This law also effectively postpones the long awaited listing of electricity producer Hidroelectrica.

For a period of two years, the sale of state-owned stakes in national companies and corporations, banks, as well as in any other company in which the state has the quality of shareholder, regardless the share held, is forbidden.

The law primarily targets the privatization of companies such as Hidroelectrica, one of the most important sources of revenue to the state budget, and the largest electricity producer in the country. For example, on 14 August, hydro-based production accounted for almost 33 % of total electricity production in Romania.

It was envisaged that only 10-15 % of Hidroelectrica's shares would be listed, while 3-5 % of shares would have been taken over by the European Bank for Reconstruction and Development (EBRD), which would have provided a stable rating to the company and would have represented, together with the other minority shareholder Fondul Proprietatea, a guarantor of compliance with the investment strategy, the contract award procedures and compliance with corporate governance.

Hidroelectrica's IPO has been expected for many years. In April 2012, a consortium made of BRD, Citigroup, Societe Generale and Intercapital Invest was selected to manage the sale of a 10 % stake in Hidroelectrica, but the company went into insolvency a few months later. After Hidroelectrica completed its restructuring process, in January 2014, the Government carried out another selection process and chose Raiffeisen Bank and Morgan Stanley to manage the sale of a 15 % stake in Hidroelectrica through IPO. However, this sale did not take place. In May, Hidroelectrica selected Dentons Europe as its legal advisor for the upcoming initial public offering of the company's shares, as well as STJ Advisors Group as an equity adviser to provide consulting services for the planned IPO. Previously in April, Hidroelectrica signed Lazard, STJ and Deloitte as consultants in the process of preparing the company's initial public offering (IPO) on the stock exchange.