

# Romania: State's interference in the management of Hidroelectrica

**Categories :** [SEE Energy News](#)

**Date :** August 5, 2020

Private investment fund Fondul Proprietatea (FP) is a minority stakeholder in electricity producer Hidroelectrica. FP reacted to recent comments of the Minister of Economy and Energy, according to which Hidroelectrica could supply energy directly to the population for a much lower price. According to FP, the statement is a violation of GEO 109/ 2011 on corporate governance in state-owned enterprises, as the law prohibits direct involvement of the state as a shareholder in the management of the company.

Concerned on the violation of corporate governance law in Hidroelectrica, FP Portfolio Manager Johan Meyer said that it is unacceptable to see the same practices that, years ago, have led Hidroelectrica into insolvency. The Government should only observe and assure the legal framework in which business operations securely take place, without interfering with management decisions. Romania has a history with politicians influencing day to day business decisions of state-owned companies with serious negative consequences for their financial results.

In the past, lack of corporate governance code implementation led to negative outcomes for many state-owned companies. Such an example is the case of Hidroelectrica when the company entered into detrimental long-term energy contracts or when it was forced to buy electricity from other producers which were more expensive. These poor decisions along with many others led to Hidroelectrica's insolvency in 2012 and it took five years for the company to overcome the negative consequences. Other more recent well-known examples are Romgaz when it was decided for the company to offer discounts to certain clients or the case of EC Oltenia which continued to supply lignite to clients that were not able or willing to observe their commercial obligations.

Hidroelectrica is a highly valuable company and a unique asset not only in Romania, but also in Europe, with significant profitability margins and a sustainable business model that is focused on clean energy production. Hence, FP recommends the Romanian Government as majority shareholder to focus on creating the grounds for the most strategic business objective for Hidroelectrica: a successful listing in the first semester of the next year, as it is planned. Hidroelectrica's listing would be a hugely important landmark for the local capital market and the entire economy, especially in the current context.