

Adoption of the law, by which the Parliament recently forbade the Government, for a period of two years, to sell stakes in state-owned companies delayed many projects, most notable the long-awaited initial public offering (IPO) of Romania's largest electricity producer Hidroelectrica. Romanian Minister of Economy and Energy Virgil Popescu said that this law has to be amended.

Minister Poposecu said that Hidroelectrica is not the only state-owned energy company that is affected by the new law, as Energy Complex (EC) Oltenia and Nuclearelectrica will also face negative consequences. He said that the Government has already appealed to the Constitutional Court.

Last month, Romanian President Klaus Iohannis, approved the law which temporarily prohibits the sale of stakes in state-owned companies. 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. 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.