

Germany Sees Red: Eon Becoming a New Energy Monopoly

Analysis shows: After the planned takeover of customers and networks of RWE-sub subsidiary Innogy, Eon would dominate two thirds of the market / LichtBlick calls on antitrust authorities to stop the deal

Hamburg, February 2nd, 2019. In a statement, green energy provider LichtBlick has called for the EU Commission to block the mega-deal between RWE and Eon which would restructure the energy market. The statement was composed by the law firm Raue LLP, which specializes in competition law.

“The plans of these two energy giants aim to put an end to the competitive electricity market in Germany. The victims of this are electricity customers who must take higher energy prices into account. The antitrust authorities must halt this plan,” says Gero Lücking, Managing Director of Energy Management at LichtBlick.

After the takeover of the customers and networks of the RWE-sub subsidiary Innogy, the new Eon will become the largest power provider covering two thirds of Germany’s land area. In these regions, the market share of the mega-conglomerate would then amount to over 70 percent of customers. The new Eon generally also controls the power grids in these areas. These are the findings of an analysis by the consulting firm LBD commissioned by LichtBlick.

With the takeover of Innogy, Eon is expanding the highly profitable business areas of base supply and grid operation. With the reliable profits from these sectors, the conglomerate can also act aggressively in competitive markets. Including all strategic holdings, the future Eon will possess more than 160 power brands and 840 power tariffs.

Eon dominates local power markets

The end-customer markets in Germany are divided into local markets. This is because consumers can only select tariffs that are offered in their postal codes / grid and base supply area. As such, the prices of the same power tariff may differ substantially even between neighboring postal codes.

“Competition for power and gas customers takes place at the local level. And in a majority of local power markets, the new Eon takes a dominant market position,” says Lücking.

For example, the market influence of the new Eon can be seen in the relevant online marketplaces such as Verivox and Check24. Roughly 60 percent of customers who switch power providers make their choice through these marketplaces. After entering their postal code, they receive local tariff offers. The switching customers then almost always choose a tariff listed in one of the first several positions.

“Due to the diversity of brands and tariffs as well as overflowing coffers, the new Eon can pull the strings of the local markets perfectly. The customer changes to another brand without noticing that they are remaining within the Eon world,” says Lücking.

Eon meets the prerequisites for a Big Data monopoly

With the deal, Eon also meets the prerequisites for a market-leading position in new business fields. The conglomerate will thus control over 20 million energy meters after the deal. These meters must be exchanged for smart meters starting in 2019. Thanks to the volume of smart meters in operation, Eon can offer the associated measurement services roughly 50 percent more cheaply than the next competitor. This was determined by an LBD analysis. Due to these cost advantages, the conglomerate is already able to force very weak competitors out of the smart meter market.

With access to roughly 16 million customers, approximately 20 million smart meters in the future, and a majority of power grids, Eon will become the leading data conglomerate in the energy industry.

“Customer data are the future gold of the energy industry. Entirely new business areas will come into being in this area. With this deal, Eon is establishing an unprecedented starting position for this future market. Eon will leave the competition in the dust from the beginning,” says Lücking. Examples such as the role of Amazon in online retail or of Google in internet searching show that data-based platform businesses have a tendency towards monopoly.

This development also stands to threaten the energy market if the RWE-Eon deal is not stopped.

Additional information:

A map of Germany showing the market strength of the new Eon and detailed background information can be found at www.lichtblick.de/presse

About LichtBlick:

LichtBlick is a green energy provider. Over one million members of the LichtBlick community have already set store in the pure energy of the pioneer and market leader for green energy and gas. With SchwarmEnergie®, the innovative company is developing digital energy solutions for homes and businesses. LichtBlick employees 460 people and generated a turnover of EUR 700 million in 2017. Info: www.lichtblick.de

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