

# Media release

6 September 2022

## Swiss government grants Axpo a subordinated credit line of up to CHF 4 billion

**With unprecedented turmoil on European energy markets and future developments remaining unpredictable, the Swiss government at the request of Axpo, has granted the company a subordinated, unsecured credit line of up to CHF 4 billion. So far, Axpo has not used any of these funds. With this measure, Axpo is making further provisions to continue to deliver its contribution to the security of supply in Switzerland, even if the worldwide energy crisis escalates further.**

Since the fourth quarter of 2021, European energy markets have experienced unprecedented turmoil, with the situation intensifying dramatically in recent weeks. Compared to September 2021, electricity wholesale prices have increased tenfold, with price fluctuations reaching new records in the past few days. This extreme situation and its continuing unpredictability have had far-reaching impacts on the liquidity requirements of all market players. In many European countries (for example, Germany, France, Finland, the Czech Republic, Spain and Sweden), governments have already instituted measures to temporarily provide energy companies with sufficient liquidity or are taking other supportive steps.

### **No drawdown on the credit line to date**

On 2 September 2022, Axpo's Board of Directors and its Executive Board decided to apply for a credit line of up to CHF 4 billion. The Federal Council and Finance Delegation approved this request on 5 September 2022. The credit line is subordinated to existing financings and does not require any security. This credit line ensures that, should the situation intensify further, Axpo is in a position to cover the collateral requirements of long-term power supply contracts concluded with its customers, and continue contributing to Switzerland's security of energy supply. Axpo, as of 5 September 2022, had more than CHF 2 billion of liquidity at its disposal.

### **Prudent hedging strategy leads to higher temporary collateral requirements**

Axpo and other European electricity companies hedge their own production several years in advance. This is a widespread and internationally recognised hedging strategy which Axpo applies conservatively, selling the electricity produced by its Swiss power plants several years in advance. In doing so, the company minimises its future price risks. Axpo's customers also benefit: Swiss transmission grid operators with multiple end customers, large industrial operations, or SMEs can secure a guaranteed energy supply at a predictable price through long-term PPAs. During the current situation, Axpo customers that have

concluded such agreements benefit from comparatively low, stable prices and do not have to purchase electricity at today's record highs.

To protect buyers and sellers, collateral is required on long-term power supply contracts. These funds are returned to the company as soon as the contract has been fulfilled – for example, when the agreed volume of power has been supplied. The amount of funds depends largely on the electricity price level. When prices increase, so do the collateral requirements. Collateral margins are calculated on each trading day and are normally due on the following day. However, the extreme price increases of recent months, particularly in recent weeks, have led to a massive rise in liquidity requirements across the European energy sector. In this challenging environment, Axpo once again benefits from its broad diversification in terms of geographical markets and range of business activities.

Axpo CEO Christoph Brand explained: "Paradoxically, while in the short-term we are confronted with the challenges of an historic energy crisis, Axpo's long-term outlook remains positive. We have therefore made the responsible, proactive decision to apply for this additional financing. By taking this action, we want to ensure that the company can continue to make its vital contribution to Switzerland's security of energy supply, even if the highly uncertain market situation intensifies further as we approach the winter half-year."

More information:

- [How hedging works in energy markets](#)
- [7 things you need to know about hedging electricity prices](#)
- [Hedging power production \(video\)](#)

## **About Axpo**

Axpo is driven by a single purpose – to enable a sustainable future through innovative energy solutions. As Switzerland's largest producer of renewable energy and an international leader in energy trading and the marketing of solar and wind power, Axpo combines the experience and expertise of more than 5,000 employees who are driven by a passion for innovation, collaboration and impactful change. Using cutting-edge technologies, Axpo innovates to meet the evolving needs of its customers in over 30 countries across Europe, North America and Asia.

## **More information**

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