

Octopus Energy seeks £1bn taxpayer support to seal deal for stricken Bulb

Octopus Energy has asked the government for a £1bn taxpayer funding package to seal a takeover of Bulb, its stricken rival.

Sky News has learnt that privately owned Octopus is nearing a deal with ministers to acquire its smaller competitor, which collapsed late last year.

City sources said this weekend that a deal would involve Octopus paying between £100m and £200m to take on Bulb's 1.6m-strong customer base.

It would also include a "significant" profit-share agreement to give the government a return for several years on earnings from Bulb customers.

The £1bn government funding package is being sought by Octopus because Bulb does not hedge its purchases of wholesale gas, leaving it exposed to soaring prices during an energy crisis which has deepened since Russia's invasion of Ukraine.

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A source close to the talks said the £1bn would be repaid by the company in full and denied descriptions of any further taxpayer support as a dowry.

Insiders said this weekend that an agreement between Octopus and the government to take over Bulb could be reached within weeks, although they cautioned that the complexity of the deal could yet prevent it from happening.

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Bulb's collapse last November was the most significant among dozens of supplier failures, with Ofgem, the industry regulator, facing heavy criticism for its approach to licensing new entrants to the market.

The company's administrator, Teneo Restructuring, and the investment bank Lazard have been orchestrating the search for a buyer.

Octopus Energy tabled the only formal offer for Bulb ahead of a deadline last month, meaning that ministers have few options to remove the financial burden to taxpayers that the company has become.

If Octopus does strike a deal, it would take the likely total exposure to the government of Bulb's collapse to more than £3bn, including the £1bn dowry.

The independent Office for Budget Responsibility said in March that the bailout would require more than £2bn to cover its operating losses.

The profit-share agreement, which would last several years, would, however, enable the government to recoup a small part of the cost to taxpayers.

One person involved in the discussions described it as "a fair deal for all parties".

The repayment of the £1bn hedging costs package over time, combined with the up-front sale price and share of profits, could mean that Bulb's failure ultimately costs taxpayers less than £2bn, according to one source.

A rescue by Octopus Energy would also secure Bulb's customers under the leadership of a company that is regarded as industry-leading.

Some sector executives believe Bulb is losing as much as £5m every day because of its failure to hedge forward gas purchases.

Octopus Energy's swoop on its smaller competitor in would take its customer base to 5m British households and cement its status as one of the most important utilities operating in the UK.

Founded by Greg Jackson, its chief executive, it has raised more than £1bn from a swathe of blue-chip investors.

This week, it said it had completed a \$550m fundraising, with \$325m committed to support the growth of its UK and international energy technology platform, Kraken.

“Octopus will continue to do all we can to help customers through the energy crisis, whilst investing in better solutions to make sure it never happens again,” Mr Jackson said.

Centrica, the owner of British Gas, and Masdar, an Abu Dhabi-based company, were also reported to have been considering bids for Bulb, but no offer materialised from either.

The scramble to finalise the sale of Bulb comes as annual household energy bills are forecast to approach £4,000 next year – an unthinkable figure just a few months ago.

A recent prediction from Cornwall Insight suggested the industry price cap would rise to £3,500 in October.

Michael Lewis, the chief executive of E.ON, which supplies more than 4m UK households, told Sky News business correspondent Paul Kelso that up to 40% of households could be forced into fuel poverty this winter.

The Treasury’s approval will also be needed to sign off a deal.

Octopus Energy is being advised by KPMG on the talks about a takeover of Bulb.

Octopus Energy and Bulb declined to comment on Saturday, while the Department for Business, Energy and Industrial Strategy has been contacted for comment.