

*Case No IV/M.1178 -  
KOCH / EURO  
SPLITTER & JARON*

Only the English text is available and authentic.

**REGULATION (EEC) No 4064/89  
MERCER PROCEDURE**

---

Article 6(1)(b) NON-OPPOSITION

Date: 14/05/1998

*Also available in the CELEX database*

*Document No 398M1178*



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 14.5.1998

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying parties

**Subject: Case No IV/M. 1178 - KOCH/EURO SPLITTER & J. ARON**  
**Notification of 07.04.1998 pursuant to Article 4 of Council Regulation**  
**N° 4064/89**

1. On 7.04.98, the Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EEC) No 4064/89 by which Koch Industries Inc. (Koch) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of Euro-Splitter B.V. (a wholly owned subsidiary of J. Aron & Company) by way of purchase of assets.
2. After examination of the notification, the Commission has concluded that the notified operation falls within the scope of Council Regulation (EEC) No 4064/89 and does not raise serious doubts as to its compatibility with the common market and with the functioning of the EEA Agreement.

**I THE PARTIES**

3. Koch is a US corporation engaged in a broad range of businesses, e.g.refinery products, chemicals, gas liquids, crude oil services, mineral services. In Europe it is active in the supply and trading of crude and refined products, chemical technology equipment and funds management.
4. Euro-Splitter is a Dutch company which owns and operates a plant for the distillation of condensate and for the refinement of crude oil. Currently it receives condensate and crude oil from its mother company Aron and it processes them into jet fuel, residual fuel, gasoil and naphtha. Aron then sells these products to customers mostly located in the EEA.

---

<sup>1</sup> OJ L 395, 30.12.1989 p. 1; corrected version OJ L 257 of 21.9.1990, p. 13; as last amended by Regulation (EC) No 1310/97, OJ L 180, 9. 7. 1997, p. 1, corrigendum in OJ L 40, 13.2.1998, p. 17.

## **II THE OPERATION**

5. The operation consists of the acquisition by Koch, through its own subsidiaries Koch HC Partnership BV and Koch Trading International Inc., of the oil refinery activities from Euro-Splitter. In addition, Koch International will acquire from Aron certain oil products, term, open and spot contracts for the acquisition of feedstock from third parties and contracts for the sale of products produced at the Euro-Splitter plant to third parties.

## **III CONCENTRATION**

6. The notified transaction will result in Koch acquiring sole control of the Euro-Splitter business. Therefore, the transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **IV COMMUNITY DIMENSION**

7. The undertakings concerned have a combined aggregate worldwide turnover in excess of ECU 5,000 million (Koch, ECU [...] ; Euro-Splitter, ECU[...]<sup>2</sup> ). Each of them has a Community-wide turnover in excess of ECU 250 million (Koch, ECU[...]<sup>3</sup> ; Euro-Splitter, ECU[...]<sup>4</sup> ), but they do not achieve more than two-thirds of their aggregate Community-wide turnover within one and the same Member State. The notified operation therefore has a Community dimension. It does not constitute a cooperation case under the EEA Agreement.

## **V THE RELEVANT MARKETS**

### **Relevant product markets**

8. The Euro-Splitter refinery to be acquired by Koch through the transaction produces naphtha, jet fuel, gasoil and residue. Naphtha is a gasoline boiling range hydrocarbon primarily used as a feedstock for the production of petrochemicals and as a gasoline blending component. Jet fuel is a slightly higher boiling range hydrocarbon primarily used for fueling jet planes. Gasoil is an even higher boiling range hydrocarbon used as a transportation fuel by cars and trucks or as a heating fuel. Residue is the highest boiling range hydrocarbon and is used as a fuel by industrial users. According to the parties, each of these products is to be considered a separate product market. In this respect, it should be noted that within each of these products it is also possible to identify subproducts having slight different characteristics, depending especially on the paraffin level (naphtha), the temperature of the refining process (jet fuel) and the sulphur level (gasoil). However, in view of the fact that the same raw material, the same equipment and the same refining processes are used to produce these variants, and in view of the extreme ease of switching between these variants, there is a degree of supply-side substitutability between them. Therefore, naphtha, jet fuel, gasoil and residue may

---

<sup>2</sup> Business secrets

<sup>3</sup> Business secrets

<sup>4</sup> Business secrets

<sup>5</sup> Business secrets

be considered the relevant product markets without further segmenting these markets. In any event, the exact definition of the product markets may be left open since, even on the narrowest possible scope, the operation will not have any appreciable competitive impact.

#### **Relevant geographic markets**

9. The parties submit that the geographic scope of each of these product markets is larger than national, possibly even European. In some of its prior decisions the Commission has stated that the geographic market for similar products might be smaller, possibly national in scope<sup>6</sup>. However, this question can be left open since, even on the narrowest possible geographic scope, there will be no markets affected.

### **VI ASSESSMENT**

10. The transaction will have virtually no impact on the relevant markets since there is very little overlap between the parties' activities in geographic terms and, in any event, their combined share would never exceed 15% of any national market. In this respect, Euro-Splitter's products are sold in Belgium, France, Germany, the Netherlands and the United Kingdom but its market shares are minimal in all these countries. As for Koch, although it owns refineries in the United States and produces naphta, jet fuel, gasoil and residue, it sells virtually none of these products in Europe. In the only countries where the sales of the parties overlap, namely Belgium and the United Kingdom, the parties' combined market shares will remain marginal. In the United Kingdom Koch's share of [...] in gasoil will increase by [...] <sup>8</sup>, and its share of [...] <sup>9</sup> in residue will increase by [...] <sup>10</sup> as a result of the transaction. In Belgium Koch's share of [...] <sup>11</sup> in residue will increase by less than [...] <sup>12</sup> following the transaction.

### **VII CONCLUSION**

11. In the light of the above considerations, it appears that the operation will not have any appreciable competitive effect. Therefore, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the functioning of the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EEC) No 4064/89.

For the Commission,

---

<sup>6</sup> See, for example, Case No. IV/M111 - BP/Petromed.

<sup>7</sup> Business secrets. Less than 5%

<sup>8</sup> Business secrets. Less than 5%

<sup>9</sup> Business secrets. Less than 5%

<sup>10</sup> Business secrets. Less than 5%

<sup>11</sup> Business secrets. Less than 5%

<sup>12</sup> Business secrets. Less than 5%