

Case No COMP/M.6885 - SDNV/ GERMANISCHER LLOYD

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004
MERGER PROCEDURE**

Article 6(1)(b) NON-OPPOSITION

Date: 15/07/2013

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.6885 - SDNV/ Germanischer Lloyd
Commission decision pursuant to Article 6(1)(b) of Council Regulation
No 139/2004¹**

- (1) On 10 June 2013, the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of the Merger Regulation by which Stiftelsen Det Norske Veritas ("SDNV", Norway) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of Germanischer Lloyd SE ("GL", Germany) by way of purchase of shares² (hereinafter "the proposed transaction" and SDNV and GL are designated as the "Parties").

1. THE PARTIES

- (2) SDNV is a foundation, which through its subsidiaries, provides inter alia testing, inspection, certification/verification/classification services and related consulting services in the following main sectors: (i) maritime (ship classification services), (ii) oil & gas, (iii) energy & sustainability and (iv) business assurance services.
- (3) GL provides various services of testing, inspection, certification/verification/classification and consulting for the following main sectors: (i) maritime (ship classification services), (ii) oil & gas, (iii) renewables. It is a subsidiary of Mayfair Vermögensverwaltungs SE

¹ OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

² Publication in the Official Journal of the European Union No C 170, 15.06.2013, p. 45.

("Mayfair", Germany), which is a private investor holding company investing in long-term participations in companies and real estate, among other investments.

2. THE OPERATION

- (4) Pursuant to the Combination Agreement of 20 December 2012, SDNV proposes to acquire GL from Mayfair and combine it with its subsidiary DNV Group AS, to be renamed DNV GL Group AS (the "JV"). In exchange, Mayfair will receive 36.5% of the shares in that JV. All important decisions regarding strategic matters of the company (budget, business plan, etc.) will be taken at the level of DNV GL Group.
- (5) The Board of Directors of the JV will be composed of [...] members: [...] appointed by SDNV, [...] by Mayfair and [...] by the JV's employees³. The Board of Directors decides on all matters which are not explicitly vested with the shareholders or other governing bodies of the JV; its role is to "direct and oversee the activities of [the JV]" and to "approve [the JV's] business plan, financial plan and budgets"⁴. The Board of Directors takes decisions [...], thus none of the Parties has a clear majority or a veto on its decisions⁵. Nevertheless, there are certain elements indicating that SDNV will be able to exercise sole control over the JV. First, SDNV will have [...] out of [...] votes in the Board of Directors of the JV and, in case of a tie, the chairman appointed by SDNV will have a casting vote. Second, if the powers of the employee representatives are left aside, SDNV has a [...] majority in the Board of Directors with [...] out of [...] votes. If the powers of the employee representatives are taken into account, their role appears to reinforce the powers of SDNV for two reasons: (i) they are subject to instructions given by the general meeting of shareholders in which SDNV has a clear majority; (ii) during the past [...] calendar years, in the [...] board meetings of SDNV, there have been no cases where the employee representatives have voted against the shareholders' representatives of SDNV. According to the Parties, this practice of seeking consensus is likely to continue.
- (6) Consequently, the proposed transaction of GL by SDNV constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (7) The notified concentration does not have a Union dimension but was notifiable in Germany, Lithuania, Poland and the United Kingdom. The Parties have requested the Commission to examine the concentration pursuant to Article 4(5) of the Merger Regulation. The Member States competent to examine the concentration did not within 15 working days express their disagreement to the request for referral. Thus, the Commission decided to examine the concentration since the legal requirements for a referral were met.

³ [Document bringing about the concentration].

⁴ [Document bringing about the concentration].

⁵ [Document bringing about the concentration].

4. RELEVANT MARKETS

- (8) Both SDNV and GL are active in the field of risk management and provide testing, inspection, certification/verification/classification ("TIC") services, as well as consulting services, particularly ship classification services, on a global basis.
- (9) TIC services consist in testing, verification, inspection, auditing and certification services done by public and private suppliers to the public and private sectors. TIC services are an objective assessment of the quality and safety of what is being tested aimed at reassuring customers, consumers and end-users that a manufacturer has followed national and/or international regulations and/or industry standards that ensure quality, environmental protection and public health and safety. Testing, inspection and certification services generally overlap because they are highly interrelated. For example, a testing or certification service often has an integral inspection element. These services can be applied to any product, service or company independently of the sector.
- (10) As regards distinguishing TIC services from consultancy services, the Commission's market investigation broadly indicated that, both from the supply side and the demand side, respondents would combine testing, inspection and certification services, regardless of the sector concerned, although the legal requirements to be able to offer each type of services may differ depending on the industry sector concerned. However, they would indeed separate consultancy services, since they are generally provided by different companies, in particular to avoid conflict of interests. As regards distinguishing these services by industry sectors, the results of the market investigation are mixed, both on the supply side and the demand side. The main well-established TIC services providers are all active in a number of sectors, such as maritime, oil & gas and renewable energies. They consider that the core service (TIC) is the same, but the distinction lies in the level of technical knowledge and capabilities in each sector. Generally, respondents identified maritime, oil & gas and renewable energies as relevant sectors that can be distinguished.
- (11) Within the TIC and consultancy services, the Parties' activities overlap in a number of business segments, but the proposed transaction only leads to horizontally affected markets if one considers the following product and geographic market:
- (a) the worldwide market for TIC services (in particular ship classification) in the maritime sector,
 - (b) the EEA market for TIC services in the renewable energy sector, in particular the wind turbine certification segment, and
 - (c) the EEA market for TIC services in the oil & gas business sector.

4.1. TIC services (in particular ship classification) in the maritime sector

4.1.1. Relevant product market

- (12) SDNV and GL are both classification societies. Classification societies provide independent classification services⁶ and statutory services in accordance with the relevant international

⁶ Article 2(i) of Regulation (EC) No 391/2009 of the European Parliament and of the Council of 23 April 2009 on common rules and standards for ship inspection and survey organisations.

conventions⁷, as well as assistance to the maritime industry. They develop and apply their own rules and procedures⁸, and if selected by a vessel owner or ship building yard, certify the adherence of the ship to the society's rules. They also verify compliance with international and/or national statutory regulations on behalf of flag administrations. The vast majority of commercial ships are built to, and surveyed for compliance with, the rules and procedures laid down by classification societies.

- (13) In a previous antitrust case, the Commission has taken the view that there is a separate market for classification services for merchant ships, which encompasses the production of technical standards ("rules and procedures") for ship construction, equipment, maintenance and inspection; the verification of plans and the supervision of the ship construction against these rules and procedures; and (iii) the inspection and certification of ships against these rules once in service (thus issuing "class certificates").⁹ The Parties endorsed this position, arguing that, within the maritime sector, the activities of testing, inspection and certification are all carried out in order to achieve classification of a vessel and maintenance of class, and thus they form one single process. They also submit that all competitors can provide all elements of services of classification upon request of the customers.
- (14) The classification process consists in 3 types of services: (i) certification of ships being built ("ships newbuilding") where the classification society will contract with the shipyard, (ii) certification of materials and components ("CMC") where it will contract with the component manufacturer, and (iii) periodical class survey of ships in operation where the contract is between the classification society and the ship owner. The Parties submit that all these services are provided by the same classification society and all societies offer all 3 types of services. In particular, the CMC activity is closely linked to the ships newbuilding activity, in that new ships built in accordance with the standards of a certain classification society also require key components to be certified by the same classification society. Thus, the Parties submit that there is no separate CMC segment/market because the CMC activity does not exist as stand-alone service and the classification society performing the classification of the vessel and the components/materials will always be one and the same.
- (15) The Commission's market investigation confirmed the Parties' contention and indicated that it is not meaningful to separate these services as they require the same technical infrastructure and expertise on the part of the classification societies and they are all based on the same rules and procedures.

4.1.2. Relevant geographic market

- (16) In a previous antitrust case, the Commission has taken the view that the market for classification services for merchant ships is worldwide in scope, as these services are provided by the same providers in most countries of the world, under similar conditions and subject to similar competitive constraints, and cover a merchant ship fleet which also operates worldwide.¹⁰ The Parties support this approach. First, the Parties note that ship classification, including CMC, is standardized and uniform in nature irrespective of where the service is being provided. They submit that classification societies bid for new projects at shipyards all over the world and that all the main classification societies compete for

⁷ Article 2(g) of Regulation (EC) No 391/2009.

⁸ Article 2(h) of Regulation (EC) No 391/2009.

⁹ Case COMP/39416 – Ship Classification, recital 10. See also case COMP/M.3569 – Wendel/Bureau Veritas, recital 7.

¹⁰ Case COMP/39416 – Ship Classification, recital 11.

projects in all countries where ships newbuilding, ships in operation and /or component manufacturing takes place. They also submit that each classification society maintains only one set of rules, which are applied in the same manner worldwide, and that all major ship classification societies have global networks of survey stations, enabling them to offer services in all major ports around the world.

- (17) The Commission's market investigation confirmed the Parties' contention. The large majority of ship classification societies that compete with the Parties consider that competition for the provision of these services takes place at a global level. In addition, the majority of ship classification customers indicated that they source classification services both from within the EEA and outside the EEA. In particular, they explain that because vessels trade worldwide, all major classification societies have worldwide representation matching the main ports where vessels call.

4.1.3. Conclusion

- (18) For all the reasons above, this decision will assess the effects of the proposed transaction on classification services as a whole, including ships newbuilding, ships in operation and CMC, at a world-wide level.

4.2. TIC services in the renewable energy sector

4.2.1. Relevant product market

- (19) In the renewable energies field, the provision of TIC services relates mainly to wind energy, but also to solar energy and wave & tidal energy. The services provided cover various forms of certification, such as type certification, component certification and project certification as well as related testing and inspection services. Customers are mainly manufacturers of wind turbines or their components, and developers of offshore and onshore wind farms, particularly large European utilities companies.
- (20) The Commission has so far not looked specifically at TIC services in the renewable energy sector. The Parties submit that TIC services in the renewable energy sector constitute one relevant market, which should not be further segmented between the types of services provided or the type of energy technology. According to them, all major and emerging certification bodies in the renewable energies sector are able to offer inspection services and testing services in addition to their certification services, and they all offer services in the wind and wave & tidal segments, and to a lesser extent in the solar segment.
- (21) The market investigation generally confirmed the Parties' contention. However, several respondents to the market investigation, both on the supply side and on the demand side, singled out the segment of wind turbine certification as a potential distinct market. This is due to the fact that a specific accreditation is necessary to offer wind turbine certification, and due to the emerging characteristic of the wind energy market, only a number of companies have sought and obtained this accreditation to date.

4.2.2. Relevant geographic market

- (22) The Parties submit that the market for TIC services in the renewable energies sector is at least EEA-wide. According to them, operators of wind farms and manufacturers of turbines and their components are sourcing TIC services on at least a European level, if not on a global level, and TIC services providers are offering their services also on a European level. The Parties submit that all major players of the TIC industry offer their services out of

several offices across the EEA and there are limited barriers to the provision of such services across borders. For example, GL serves its customers in the European renewable energies market mainly out of centres in Germany and the UK. As regards wind turbines in particular, the Parties also submit that accreditations in one EEA Member State are accepted throughout Europe and suffice to provide certification services in the whole of EEA. According to Article 7(1) of the Regulation on the requirements for accreditation¹¹, in order to avoid multiple accreditations, certification bodies should request accreditation by the national accreditation body of the EEA Member State in which they are established. However, pursuant to Article 11(2) of the same Regulation, national authorities of the EEA Member States shall recognize the accreditation certificates of the accreditation bodies of other EEA Member States, and thereby the certifications issued by the certification bodies accredited in another EEA Member State.

- (23) The Commission's market investigation confirmed the Parties' contention as regards the EEA-wide scope of this market. While on the supply side, several TIC services providers are active in the renewable energies sector on a worldwide basis, customers confirmed that they would not turn to providers located outside of the EEA should prices increase, in particular for wind turbine certification. The Parties recognize that manufacturers of wind turbines and their components have to comply with legal provisions which are mainly set on a national level and the certifications are therefore done against mainly national rules. Yet, several TIC providers confirmed the Parties' contention that these national rules as regards wind turbines certification are based on international ISO standards and International Electrotechnical Commission ("IEC") standards, which have been designed to be applied internationally and are instrumental in harmonizing certification requirements on a worldwide level.

4.2.3. Conclusion

- (24) For all the reasons above, this decision will assess the effects of the proposed transaction on TIC services in the renewable energy sector as a whole, as well as on wind turbines certification, at the EEA level.

4.3. TIC services for the oil & gas business sector

4.3.1. Relevant product market

- (25) In the oil & gas sector, the provision of TIC services relates to various services across all stages of the lifecycle of oil & gas infrastructure, from feasibility to the de-commissioning stage. Customers for such services are usually international and national oil companies, other oil & gas companies but also insurance companies, engineering companies, ship owners, shipyards, drilling companies or operators of platforms, pipelines and related facilities.
- (26) The Commission has so far not looked specifically at TIC services in the oil & gas sector. The Parties submits that it would not be appropriate to distinguish between testing, inspection and certification, mainly because such services are often inter-linked and offered as one service, their definition depending more on the contractual relationship with the customer rather than on the technical service offered and on the choice of the customer or the specific requirements of the buyer of an oil & gas asset (the end user, which is different

¹¹ Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93.

from the manufacturer of such assets). Likewise, the Parties further submit that this market should not be further segmented into off-shore and on-shore segments either. The reasons for that are that the management systems, governance structure and financial management procedures do not normally separate between such services.

- (27) The market investigation generally confirmed the Parties' view that no further sub-segmentation of the TIC services is appropriate either according to the type of service or separately between offshore and onshore segments.
- (28) The Parties further submit that consultancy services for the oil & gas business sector could be considered a separate market from the TIC services market, because many competitors offer only consultancy services for the oil & gas business sector, but are not active in TIC services. The respondents to the market investigation confirmed this view, pointing out to the specificity of the consultancy services compared to the TIC services.

4.3.2. Relevant geographic market

- (29) The Parties also submit that the relevant geographic market for TIC for oil & gas is at least EEA-wide, and extends possibly to neighbouring countries (such as Russia and Kazakhstan). Furthermore, the Parties explain that despite a development towards a worldwide market, the sector still has to be seen as continental/regional.
- (30) The underlying reason for this continental/regional market structure is, in the Parties' view, based on the fact that the companies active in this sector (international oil companies, national oil companies as well as suppliers and service companies to the oil producers) are generally based at locations where oil is found. In Europe, such a region is the North Sea and the Caspian Sea. The Parties explain that the UK and Norway are the hubs for the European oil & gas industry exploring the resources in the North Sea and hence the hubs out of which the Europe-wide oil & gas industry is served. According to the Parties, the customers and the Parties' organisations and the way services are provided are based around those oil regions and hubs.
- (31) The majority of the customers that responded to the market investigation have confirmed that they source TIC services both from within the EEA and outside the EEA. Nevertheless, while the local presence of a supplier is not essential, customers appear to have a certain preference for geographic proximity when selecting potential providers. In any case, even at a region-wide level such as the North Sea for instance, there is a substantial cross-border provision of services within a region.
- (32) Like for TIC services, the Parties also submit that the relevant geographic market for consultancy services for oil & gas is at least EEA-wide, and extends possibly to neighbouring countries. This has been broadly confirmed by the replies to the market investigation.

4.3.3. Conclusion

- (33) For all the reasons above, this decision will assess the effects of the proposed transaction on TIC services in the oil & gas sector as a whole at the EEA level.

5. COMPETITIVE ASSESSMENT

- (34) On a wider market comprising both TIC and consultancy services, the proposed transaction does not give rise to affected markets as the Parties' combined market shares are below 15% regardless of the industry sector concerned and the geographic scope. On the basis of the market shares provided by the Parties, a separate potential consultancy market is not affected either, regardless of the industry sector concerned. Likewise, the overall market for TIC services in the renewable energies sector is not affected (the Parties' combined market share in 2012 would be [5-10]% in the EEA).
- (35) Horizontally affected markets arise only with respect to ship classification, wind turbine certification and TIC services in the oil & gas business sector. The Commission will assess the effects of the proposed transaction in each of those three affected markets in turn.

5.1. Worldwide market for TIC services (in particular ship classification) in the maritime sector

- (36) The table below shows the Parties' best estimates of their market shares and that of and their main competitors concerning worldwide ship classification in 2012¹²:

Classification society	Worldwide Share
SDNV	[10-20]%
GL	[10-20]%
Combined entity	[20-30]%
Nippon Kaiji Kyokai	[10-20]%
American Bureau of Shipping	[10-20]%
Lloyd's Register	[10-20]%
Bureau Veritas	[5-10]%
China Classification Society	[5-10]%
Korean Register of Shipping	[0-5]%
Registro Italiano Navale	[0-5]%
Others	[10-20]%
Total market (GT million)	1288,1

Source: Parties' estimates based on IHS Fairplay data

- (37) The combined market shares of the Parties will be slightly above [20-30]% and the Commission's market investigation confirmed that several strong competitors exist globally and will continue to constrain the combined entity on the market for the ship classification, notably Nippon Kaiji Kyokai, American Bureau of Shipping and Lloyd's Register. The market investigation largely confirmed that post-transaction, there will continue to be several classification societies capable of offering comparable services to those of the Parties. In addition, even though the ship classification is a mature market, Tasneef, a new classification society has been established in the past few months and plans to establish a worldwide network of offices.¹³

¹² The Parties submit that measuring shares on the basis of gross tonnages ("GT") gives a better indication of a manufacturer's relative performance in any given year than using a figure based on the number of vessels or revenues, as no reliable third party data is available on the latter.

¹³ See e.g. <http://www.marinelink.com/news/supports-tasneef-group350688.aspx>.

- (38) The market investigation also confirmed the Parties' contention that switching class is very easy. During all stages of the life of a ship, the ship owner may take his ship out of a particular class, i.e. terminate the relationship with the current classification society and enter into a new relationship with a competing classification society. Such right of termination is without conditions, apart from the Transfer of Class Agreement ("TOCA") procedure, and is not subject to any termination fee. Switching costs for the customer are low as work necessary for the transfer of class is typically done by the new classification society free of charge. The TOCA procedure ensures that all class documents will be provided from the existing class to the new classification society.
- (39) In addition, the Parties submit that they are not the closest competitors. Based on TOCA data published by the International Association of Classification Societies ("IACS"), about 5-7% of both SDNV's and GL's ships transfer in or out of class each year, both in terms of number of vessels and gross tonnages. In 2012, of all class transfers, transfers from GL to SDNV and from SDNV to GL rank 34th and 43rd respectively, while transfers from GL to Lloyd's Register and from SDNV to American Bureau of Shipping rank 17th and 10th respectively.
- (40) Finally, respondents to the market investigation did not raise any material concern as regards the effects of the proposed transaction in terms of prices, quality or availability of the services on the ship classification market. On the contrary, some respondents indicated that they see the proposed transaction as a positive event in a market, which will provide a higher level of technical competency and readily available capability through this combined service provider.
- (41) Therefore, the Commission concludes that given the rather limited combined market shares, the strong presence of other ship classification societies as well as the absence of concerns on the part of market participants, the proposed transaction does not raise serious doubts as to its compatibility with the internal market and the EEA Agreement regarding the worldwide market for ship classification.

5.2. EEA market for wind turbine certification

- (42) The table below shows the Parties' best estimates of their market shares and that of and their main competitors concerning wind turbine certification in the EEA in the past three years:

Wind turbine certification providers	2010	2011	2012
SDNV	[20-30]%	[10-20]%	[10-20]%
GL	[30-40]%	[20-30]%	[20-30]%
Combined entity	[50-60]%	[40-50]%	[40-50]%
UL/DEWI	[10-20]%	[10-20]%	[10-20]%
TÜV Süd	[5-10]%	[10-20]%	[10-20]%
TÜV Nord	[5-10]%	[10-20]%	[10-20]%
Lloyd's Register	[0-5]%	[0-5]%	[0-5]%
Bureau Veritas	[0-5]%	[0-5]%	[0-5]%
TÜV Rheinland	-	-	[0-5]%
SGS	[0-5]%	[0-5]%	[0-5]%
Others	[10-20]%	[10-20]%	[10-20]%
Total market (EUR million)	[...]	[...]	[...]

Source: Parties' own estimates

- (43) The Parties submit that the wind turbine certification is of a somewhat limited overall value since the Parties' best estimates is an EEA segment with a total value of approximately EUR [...] million in 2012, whereas the total value of the overall TIC services market in the renewable energies sector was approximately EUR [...] million in 2012. In addition, it is a growing market (doubled in two years for wind turbines only), primarily due to the still increasing number of installations, technological developments and the movement into harsher environments (e.g. off-shore). The Parties also point to the fact that it is straightforward for other certification bodies active in the renewable energies segment to expand their accreditation to the wind turbine certification scheme in the short term, as it is similar to other accreditation processes. The accreditation is delivered by a national authority, such as Norsk Akkreditering in Norway, Deutsche Akkreditierungsstelle GmbH ("DAkKS") in Germany and DANAK in Denmark. The Parties submit that, while the time and costs required to become accredited may differ among accreditation bodies and specific accreditations, there are no major hurdles to enter this segment and the process is generally similar to the one required to become a certification provider in other sectors.
- (44) The Parties' combined share has constantly decreased during the past three years and will be below 50% post-transaction. In particular, GL's share has decreased overtime. As confirmed by the market investigation, GL's historically relatively strong market position can be explained by the fact that GL published the first industry accepted standards for wind turbines, and hence had in a way a first-mover advantage. However, other well-established TIC services providers have since then expanded their activities in this sector and continually increased their position in this segment. As a notable example, TÜV Rheinland, a large TIC organisation active in several industry sectors such as the energy sector and the automotive industry, has recently become accredited by DAkks for wind turbine certification¹⁴ and, according to the Parties' estimate, has already been able to successfully contest [0-5]% of the EEA market. Moreover, TÜV Rheinland and Nippon Kaiji Kyokai recently announced a worldwide partnership in wind turbine certification, which is another illustration of the close interrelation of TIC services in different industry sectors. Finally, the Parties also submit that they will continue to face growing competition from a number of players in the EEA, such as TÜV Süd, TÜV Nord, UL/DEWI¹⁵ and Bureau Veritas. The market investigation largely confirmed that these players are amongst the several wind turbine certification providers capable of offering comparable services to those of the Parties and that they will continue to do so post-transaction.
- (45) On the demand side, the Parties submit that there are no switching costs for customers when switching from one supplier to another as TIC services in this sector are generally executed under international standards that are applied by all accredited bodies. No TIC services comprise custom-made aspects that would bind customers to one supplier. Due to the one-off nature of the services, there is no automatically recurring business that is generated from any initial activity for a customer. The Parties also argue that their customers show an increasing tendency to tendering new projects and usually rely on a wider group of TIC service providers for quality assurance purpose and in order to avoid dependency from a

¹⁴ See e.g. news release by TÜV Rheinland at http://www.tuv.com/news/en/corporate/about_us_1/press/news_2/newscontent_cw_116613.html/Wind%20Energy:%20T%C3%9CV%20Rheinland%20Receives%20New%20Accreditation?fromSearch=true.

¹⁵ UL acquired DEWI in 2012. See e.g. http://www.dewi.de/dewi/index.php?id=12&tx_ttnews%5Btt_news%5D=123&cHash=8f719978e5c480260c8aa42cd650d66e: "UL [...] has entered into a definitive agreement to acquire DEWI, a world leader in wind energy measurement and testing services, and DEWI-OCC, an accredited DAkKS (German accreditation) certifier of onshore and offshore wind facilities."

specific supplier. Wind turbine customers have largely confirmed during the market investigation that they generally use multiple suppliers of TIC services in parallel and that contracts for the provision of TIC services are non-exclusive.

- (46) Finally, the market investigation confirmed that the Parties' contention that wind turbine certification customers are large, multinational, sophisticated manufacturers, such as Vestas, Siemens, GE, Areva and Gamesa, who already multi-source and who have switched between wind turbine certification accredited bodies and could do so again should prices increase or quality decrease post-transaction. Some customers perceive the proposed transaction as the combination of two rather complementary companies, with strengths in different areas. They even indicated that they think it will lead to better services, in terms of quality and availability due to the experience and resources of the combined entity.
- (47) Therefore, the Commission concludes that given the presence of several significant wind turbine certification providers in the EEA, the lack of any significant barriers for TIC services providers to expand into the wind turbine certification segment and the easiness of switching between providers for customers, who already multi-source such services, the proposed transaction does not raise serious doubts as to its compatibility with the internal market and the EEA Agreement regarding the potential EEA market for wind turbine certification.

5.3. EEA market for TIC services in the oil & gas business sector

- (48) Based on their estimations, the Parties' combined market share would not exceed [10-20]% at EEA level ([10-20]% for SDNV and [0-5]% for GL) and would be even below [10-20]% should neighbouring countries be included. In addition, the increment brought about by the proposed transaction is very small ([0-5]%) at the EEA level.
- (49) The Parties identify numerous competitors of comparable size that are active in this field and are able to provide an almost comprehensive service portfolio including all TIC services for oil & gas at a global level and at the EEA level. Among these, the most important are Oceaneering, Aker Solutions, Applus Velosi, Intertek Moody, Bureau Veritas, Lloyd's Register, SGS, Axxess, IKM Testing, TÜV Süd and TÜV Nord. Their market shares would range between [0-5]-[5-10]% at a worldwide level and between [0-5]-[10-20]% at an EEA level. Furthermore, as pointed out by the respondents to the market investigation, several other smaller niche players are present in this market that offer one or more of such services in certain areas of oil & gas special expertise.
- (50) On the demand side, also confirmed by the replies to the market investigation, the customers usually multi-source by concluding framework agreements with several suppliers on a non-exclusive basis. In practice, they source different services from various providers following tenders on a project by project basis. Switching costs appear to be negligible. Parallel multi-sourcing is preferred by customers not only to avoid dependency from a specific supplier but also due to a need to accessing specific expertise developed by some of the smaller suppliers in certain niche areas.
- (51) Overall, the majority of customers confirmed the Parties' contention that they are not close competitors for the provision of TIC services for oil & gas. For example, GL offers global inspection services which is only partly matched by SDNV, and SDNV offers verification and classification services for assets in the offshore segment that are equally only partly matched by GL. Customers also indicated that, should prices for TIC services for oil & gas

increase post-transaction, sufficient alternatives are already available in the market to which they could switch with little or no costs.

- (52) Based on all the above, the Commission concludes that due to the relatively limited combined market shares and increment, the strong presence of other competitors of similar size as well as of other smaller niche suppliers, also in view of the absence of concerns on the part of market participants, the proposed transaction does not raise serious doubts as to its compatibility with the internal market and the EEA Agreement regarding the market for TIC services for the oil & gas sector.

6. CONCLUSION

- (53) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

For the Commission
(signed)
Joaquín ALMUNIA
Vice-President