

***Case No COMP/M.7464 -
BLADT INDUSTRIES /
EEW SPECIAL PIPE
CONSTRUCTIONS /
TAG ENERGY
SOLUTIONS
LIMITED'S ASSETS***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 20/01/2015

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EUROPEAN COMMISSION

Brussels, 20.1.2015
C(2015) 312 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.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
ARTICLE 6(1)(b) DECISION

To the Notifying Parties:

Dear Sir/Madam,

Subject: Case M.7464 – BLADT INDUSTRIES / EEW SPECIAL PIPE CONSTRUCTIONS / TAG ENERGY SOLUTIONS LIMITED'S ASSETS Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

- (1) On 5 December 2014, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertakings Bladt Industries A/S ("Bladt", Denmark), controlled by the private equity house Nordic Capital (Jersey), and EEW Special Pipe Constructions GmbH ("EEW", Germany), belonging to the EEW Group, acquire within the meaning of Article 3(1)(b) of the Merger Regulation joint control of assets currently owned by

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 OJ L 1, 3.1.1994, p.3 ("the EEA Agreement").

TAG Energy Solutions Limited ("TAG", United Kingdom), by way of purchase of the assets through a newly created joint venture ("JV").³ Bladt and EEW are designated hereinafter as the 'Notifying Parties' or 'Parties to the proposed transaction'.

1. THE PARTIES

- (2) Bladt is a Danish manufacturer of complex steel structures, operating in three key areas of business: the wind and renewable sector, the oil and gas industry and infrastructural projects. Bladt notably specialises in the manufacturing of offshore foundations for wind turbine generators. Bladt is a portfolio company of the private equity company Nordic Capital, which has a controlling ownership interest in numerous portfolio companies active in a wide range of sectors.
- (3) EEW is a German manufacturer of large steel tubes, especially tubes used in the construction of offshore wind farms. It is part of the EEW Group, an international manufacturer of various types of pipes. EEW is a subsidiary of the EEW Group (Erndtebrücker Eisenwerk GmbH & Co. KG), an international association of submerged pipe mills and trading/representation companies.
- (4) TAG's assets, which are subject to the Notified Transaction, are located in the UK and consist of a complete production facility for the manufacturing of certain types of offshore foundations. TAG ceased trading in September 2014 and has since been placed under administration.

2. THE OPERATION

- (5) On 18 November 2014, the Parties signed a Sale and Purchase Agreement to jointly acquire TAG's assets through Offshore Structures (Britain) Limited, an entity jointly controlled by the Parties ("the Notified Transaction"). The Parties will not transfer any of their assets into the JV, but will provide it with their expertise and reputation. The JV will use TAG's assets to manufacture transition pieces and their primary steel parts. EEW will hold [...] % of the shares in the JV, while Bladt will hold [...] %.
- (6) [Details on composition and voting rights for the JV's Board of Directors] Moreover, each Party has a veto right over strategic decisions of the JV (such as[examples]).
- (7) The Notified Transaction thus results in Bladt and EEW acquiring joint control of TAG assets and constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (8) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁴ (Nordic Capital/Bladt: EUR [...] million, EEW Group/EEW: EUR [...] million). Each of them has an EU-wide turnover in excess

³ Publication in the Official Journal of the European Union No C 449, 16-12-2014, p. 2.

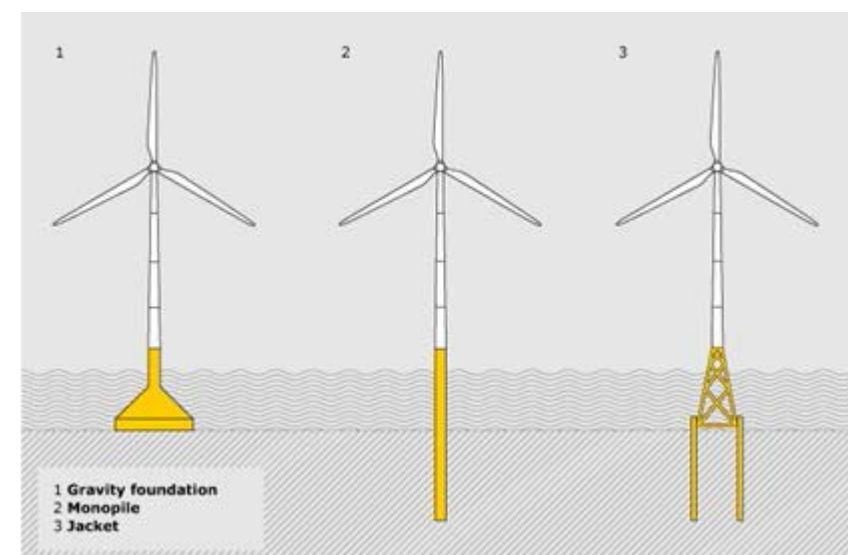
⁴ Turnover calculated in accordance with Article 5 of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C 95, 16.4.2008, p. 1).

of EUR 250 million (Nordic Capital/Bladt: EUR [...] million, EEW Group/EEW: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has an EU dimension within the meaning of Article 1(2) of the Merger Regulation.

4. OVERVIEW OF PRODUCTS AND THE PARTIES' ACTIVITIES

- (9) Offshore wind farms are structures set up offshore to generate electricity, by benefiting from better wind speeds compared to those normally available on land. The wind turbines (wind turbine generators) are installed on foundations that keep them anchored to the seabed. These are called offshore wind foundations.
- (10) Offshore wind foundations can be of different types, mainly monopiles, jackets (both mainly steel structures) and gravity foundations (mainly using heavy concrete ballasts), as depicted in Figure 1 below.

Figure 1: Different types of offshore wind foundations



Source: Form CO.

- (11) The exact specifications for the type and other parameters of foundations are determined in the tender documentation, and depend on a number of factors, such as the type of the wind turbine generator and the related wind loads, water depth, wave loads, soil conditions, transport distances, and financial considerations.⁵
- (12) The tenders for offshore wind foundations are organised either by the developers of wind farms, which are often also end operators of the wind farms (for example energy companies). In other cases, the end user may engage an engineering, procurement, construction and installation (EPCI) contractor to organise the roll-out of a wind farm, including the procurement of foundations. Undertakings setting up wind farms or other undertakings in charge of sub-contracting the manufacturing of foundations usually place orders for the supply of the complete

⁵ See replies to questions 5.3 and 5.4 - Questionnaire to competitors (Q1), and question 9 - Questionnaire to customers (Q2).

foundation (in case of monopile foundations, both the monopile and the transition piece).

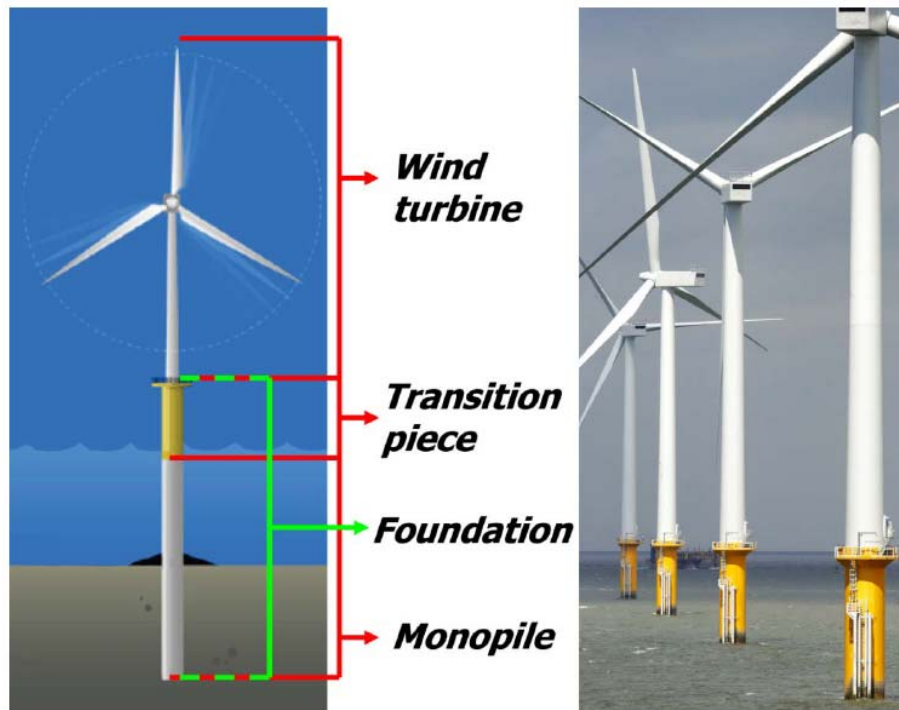
- (13) In line with the wind farm project specifications, the developer (or its contractor) will also tender the installation of foundations, procurement of towers for wind turbines, wind turbine generators, installation of cables etc.

Monopile foundations

- (14) Bladt and EEW are both active in the manufacture and supply of monopile foundations. TAG's assets were also dedicated to the manufacture of monopile foundations.
- (15) A monopile foundation is a unique large steel tubular assembly driven into the seabed. It represents the most wide-spread type of offshore foundation: approximately 80% of wind-farms rest on monopile foundations.
- (16) A monopile foundation consists of two main components: a *monopile*, a first large raw steel tube driven into the seabed, and a *transition piece*, which is fixed on the monopile, reaching the sea level, and on which the wind turbine is installed. While the monopile is a tube consisting of primary steel, a transition piece is a primary steel tube to which additional secondary steel parts are added (for instance platforms, ladders, boat landings etc., as illustrated in Figure 2 below) and is subsequently coated, tested and painted.
- (17) The production of monopiles and of primary steel for transition pieces is similar in many ways as they both constitute rolling and welding large raw steel plates into tubes, without further work being carried out on these tubes. By contrast, the manufacturing and fixing/assembly of secondary steel for transition pieces is a very different process involving a variety of different smaller steel and non-steel parts, requiring different manufacturing capabilities (including coating and painting) and facilities. Accordingly, certain manufacturers of primary steel tubes (such as [...] and [...]) are not active in the manufacture of complete transition pieces because they specialise in primary steel pieces and do not manufacture/assemble the secondary steel parts. Other companies only specialise in transition pieces.⁶

⁶ See, for example, replies to questions 6.7 and 15 - Questionnaire to competitors (Q1). As stated in point 5 above, the JV is such a company which is intended to only produce transition pieces (both primary and secondary steel).

Figure 2: Components of monopile offshore wind structures



Source: Form CO.

- (18) Monopiles can be of different diameters. In particular, the so-called XL monopiles are foundations with a diameter exceeding approximately 7 meters, which makes the foundation suitable for installation in deeper sea zones, and/or for larger wind turbines. Certain manufacturers (such as [...]) do not have the capacity to manufacture monopiles of such a diameter.

Other foundations for wind turbine generators

- (19) Jackets are three (in the case of tripods, or tripiles) or four-legged steel structures driven into the seabed. They are manufactured through the assembly of many offshore foundation tubes, and their weight ranges usually from 600 to 900 tons. Similar to XL monopiles, they are suitable for deeper sea. Of the Notifying Parties, only Bladt is active in the production and supply of jackets for offshore wind turbine generators.
- (20) Other offshore structures include gravity foundations (lying on the seabed with the help of heavy concrete ballasts) and floating structures (moored into the seabed). The Notifying Parties do not supply such foundations.

Other offshore products

- (21) Bladt is also active in the manufacturing of offshore substations, i.e. platforms containing equipment to connect the energy generated by the wind farm to the onshore electricity network (or to a converter station). Substations consist of a so-called “topside” which hosts the above-mentioned equipment and a foundation structure typically composed of a jacket foundation. Bladt also manufactures jackets and topsides for unmanned platforms in the oil and gas sector.

- (22) Both Parties are active in the manufacturing of piles / anchors. EEW manufactures both driven piles which are hammered in the seabed (similarly to monopiles), and suction piles with an embodied suction system which sucks the pile into the seabed. Bladt only manufactures suction piles.
- (23) Neither offshore substations, offshore gas and oil structures, or piles, fall within the ambit of the JV.

5. COMPETITIVE ASSESSMENT

5.1. Market Definition

5.1.1. Relevant Product Markets

- (24) The Parties consider that the following markets are relevant for the assessment of the Notified Transaction: (i) offshore foundation tubes (an as input for offshore wind foundations based on steel structures); (ii) offshore wind foundations; (iii) offshore oil and gas foundations; (iv) piles. As the Notified Transaction does not lead to any affected markets concerning offshore gas/oil foundations and piles (see the previous paragraph), these products are not assessed further for the purpose of this Decision.

5.1.2. Relevant product market definition

5.1.2.1. Offshore foundation tubes

Past decisional practice

- (25) Although the Commission has not previously considered steel tubes for offshore foundations, it has, in several previous decisions, defined relevant markets relating to steel tubes in general. In the past, the Commission has distinguished between carbon and alloy steel tubes on the one hand and stainless steel tubes on the other hand⁷. The Commission has also segmented tubes into welded and seamless tubes.⁸ Welded tubes are made from flat steel products, such as hot rolled strips, which are curved into a tube and continuously welded. Seamless tubes are made from tube rounds or ingots/billets which are pierced (i.e. extruded) and rolled.⁹ Finally, in the segment of "other carbon and alloy steel tubes (non-precision tubes)", the Commission¹⁰ has defined "large-diameter" tubes with diameters of more than 20 inches (508 mm) for welded tubes, and 24 inches (610 mm) for seamless tubes, as a separate relevant product market, due to the natural breaks in the production techniques and the differences regarding the field of application.

The Notifying Parties' arguments

- (26) In the present case, tubes manufactured for offshore foundations are mostly large diameter (i.e. with a diameter larger than 610 mm) welded carbon steel tubes. Considering the fact that such tubes are specifically manufactured for the purpose

⁷ M.315 – *Mannesmann/Hoesch/Ilva* para. 18.

⁸ M.222 – *Mannesmann/Hoesch* paras. 21-23.

⁹ M.906 – *Mannesmann/Vallourec* para. 51.

¹⁰ M.906 – *Mannesmann/Vallourec* para. 44.

of offshore foundations, thereby requiring certain technical features, the Parties consider that the relevant market should be defined as welded carbon steel tubes manufactured for offshore foundations (“offshore foundation tubes”).

- (27) The Notifying Parties also differentiate between offshore foundation tubes used as monopiles and primary steel for transition pieces on the one hand, and as input for the construction of jackets on the other hand, since both types of tubes differ in some technical aspects.

Conclusion on the relevant product market

- (28) Offshore foundation tubes comprise large diameter carbon steel welded tubes for the use in offshore wind farms. These tubes are intermediary products for, amongst others, monopile foundations (monopile and primary steel for transition pieces) and jacket foundations for wind turbine generators.
- (29) The market investigation has indicated that certain manufacturers of other steel products could in principle also produce offshore foundation tubes. However, in order for such venture to be profitable, it would need to be capable of large scale production for large orders, while meeting very high quality standards.¹¹ Thus, a new entrant would need the manufacturing facilities capable of high volume production for offshore foundation tubes. In addition, it would need to acquire know-how and develop procedures to comply with quality assurance and control requirements, certification, standards etc.
- (30) In addition, as tenders are normally organised for the supply of complete foundations, a supplier of monopile foundation tubes would need to be either vertically integrated into the production of transition pieces, or team up with a supplier of transition pieces in order to market the foundation tubes.
- (31) For these reasons, it seems unlikely that producers of other steel products would be able to switch to the production of offshore foundation tubes in the short term and without entailing significant additional costs or risks.
- (32) Concerning so-called 'XL' monopiles, which have a bigger diameter, above approximately 7 meters, are longer, have thicker walls, and are thus heavier than conventional monopiles commonly installed to date, the Commission concludes, on the basis of the market investigation, that certain manufacturers may have capacity limitations to switch to large scale production of such monopiles.¹² However, certain other manufacturers do have the capacity allowing them to readily switch between the production of conventional and 'XL' monopiles.
- (33) Since the Notified Transaction does not raise serious doubts as to its compatibility with the internal market under any conceivable market definition¹³, the exact relevant product market definition can be left open.

¹¹ See replies to question 18 - Questionnaire to competitors (Q1).

¹² See replies to question 7 - Questionnaire to competitors (Q1).

¹³ See paragraph (64).

5.1.2.2. Offshore wind foundations

Past decisional practice

- (34) The Commission has in past cases considered, but ultimately left open, markets for the “*procurement and installation of the foundations of offshore wind turbines*”¹⁴, for the “*development, construction and operation of wind farms*”¹⁵, or the installation/construction of the foundations of wind turbines”¹⁶. In these cases, emphasis was on the services (or packages thereof) offered to the EPCI contractor or the end customer (typically the wind farm operator). The production and supply of offshore wind foundations would thus be placed upstream of these potential markets.

The Notifying Parties' arguments

- (35) The Notifying Parties consider that the relevant market could be defined as the market for offshore foundations for wind energy infrastructures. Alternatively, in addition to the market for monopiles/offshore foundation tubes as discussed in section 5.1.2.1, also (i) transition pieces, (ii) jackets used for wind turbine generators and (iii) jackets used for offshore substations could be considered as separate markets.
- (36) According to the Notifying Parties, monopile foundations and jackets are technically different structures despite their relative substitutability in several cases. For larger wind turbine generators or in deeper sea areas (in particular beyond 40 meters), jackets are the only foundation solution available. For water depths until approximately 40 meters monopile structures are preferable, since they are significantly cheaper than jackets. Jackets used for wind turbine generators and jackets used for substations could potentially be considered as separate markets because of their different production requirements and as jackets for substations are significantly larger than jackets for wind turbine generators. In addition, while, generally, jackets for wind turbine generators are built in series on orders which cover a large number of jackets, jackets for substations are normally ordered individually.

Conclusion on the relevant product market

- (37) The Commission concludes, on the basis of the market investigation, that monopile offshore wind foundations are the predominant type of foundation structures. In particular “XL” monopiles with a larger diameter are, for certain projects in deeper water, substitutable to jacket foundations and higher stress conditions. Conversely, in lower depths, monopiles can also be substituted by gravity foundations (which are however much fewer in number). Other structures (such as floating foundations) are not reported to be used on a commercially significant scale yet.¹⁷

¹⁴ Case COMP/M.6315 – Hochtief / Geosea / Beluga Hochtief Offshore JV, paragraph 26.

¹⁵ Case COMP/M.6540 - Dong Energy Borkum Riffgrund I Holdco / Boston Holding / Borkum Riffgrund I Offshore Windpark, paragraph 19 et seq.

¹⁶ Case COMP/M.6995 – Reggeborgh / Boskalis / VSMC, paragraphs 48 and 60.

¹⁷ See replies to questions 5, 7.5. and 7.6 - Questionnaire to competitors (Q1) and to questions 4 and 6 – Questionnaire to customers (Q2).

Certain customers expect that, in view of the trend to develop wind farms farther from the shore and thus in deeper waters, the competition for future projects will be mostly between suppliers of monopile foundations and jacket foundations.¹⁸

- (38) The Commission further derives from the market investigation that suppliers (or consortia of suppliers) typically offer entire offshore wind foundations in tender procedures¹⁹. Suppliers can thus be vertically integrated both in (upstream) production of offshore foundation tubes and the manufacture of final foundations²⁰ or, in the case of monopile foundations, be active only in the manufacturing of tubes (monopiles, primary steel for transition pieces) or final transition pieces (manufacturing and assembling/fixing secondary steel to primary steel tubes). To participate in tenders, such suppliers either subcontract the remaining components from third parties, or form a consortium for a specific project.²¹
- (39) For the same reasons as described in paragraphs (29) and (30) above, the market investigation suggests that manufacturers of other steel products are likely not capable to switch to the supply of offshore wind foundations within a short period of time and without incurring significant additional costs or risks.
- (40) Since the Notified Transaction does not raise serious doubts as to its compatibility with the internal market even under the narrowest market definitions (the market for monopile foundations, the market for transition pieces, and the market for jacket foundations), or any other plausible market definition²², the exact relevant product market definition can remain open.

5.1.2.3. Relevant Geographic Markets

- (41) Concerning offshore foundation tubes as well as offshore wind foundations, the Commission finds that the products are vertically related, as the tubes are a key input for the production of final foundations. As both the intermediate and the final product share a number of characteristics concerning the size and weight of the product, and partly depend on the same end demand, the geographic dimension of the markets is essentially the same for both types of product. Thus no separate assessment will be carried out for the purpose of this Decision.

Past decisional practice

- (42) The Commission has in past cases considered that the geographic market for the various steel tube segments was at least EEA-wide.²³ This was based, amongst others, on relatively limited transportation costs compared to the value of the

¹⁸ See, for example, replies to questions 4 and 7 – Questionnaire to customers (Q2).

¹⁹ See replies to question 13 – Questionnaire to customers (Q2).

²⁰ For monopile foundations, this would encompass the manufacturing of both the monopile and the complete transition piece. For jacket foundations, this would encompass both the manufacture of tubes and the manufacture of the complete jacket lattice.

²¹ See replies to question 15 – Questionnaire to competitors (Q1), and Annex R1 5 to the reply to question of the Commission's request for information of 9 December 2014

²² See paragraph (64).

²³ See, for example, M.906 – *Mannesmann/Vallourec* para. 65.

products, the absence of significant price differences, and high levels of mutual market penetration.

The Notifying Parties' arguments

- (43) According to the Parties, cross-border competition exists in Europe. Suppliers of offshore foundation tubes and/or entire foundations (who are located in different European countries) all bid for tenders organised for offshore projects located in countries where their manufacturing site is not located. Transport costs are not significant relative to the value of the products. Although national regulations vary from one country to another, this is not an obstacle to cross-border supply, as the suppliers do not stock any products, but tailor make the required products for each project and according to the project specifications.

Conclusion on the relevant geographic markets

- (44) The Commission concludes from the market investigation that the producers of offshore foundation tubes and entire foundations can supply customers all over the world, but focus on northern/western Europe where the demand for wind farm related components is best developed.²⁴
- (45) Respondents to the market investigation also explained that suppliers normally have direct access to seaborne transport, which seems to be crucial in view of the dimensions and weight of the products.²⁵ From a supply side perspective, the geographic dimension of the market could thus be limited to those areas with access to sea transport.
- (46) Certain Member States are said to encourage the inclusion of domestically produced content in the procurement of components for offshore wind farms.²⁶ In the UK, for instance, while there appears to be no legally binding obligation to include domestically manufactured products, local content may be taken into account when allocating Contracts for Difference.²⁷
- (47) The market investigation however showed that, to date, such measures have not constituted a significant barrier to cross border trade within the EU. While suppliers of offshore foundation tubes and/or entire foundations generally consider that domestically produced content can be advantageous in winning bids, it does not appear to be the decisive factor, as bids could be competitive on other grounds.

²⁴ See replies to questions 8 and 9 - Questionnaire to competitors (Q1), and questions 14 and 14.1 – Questionnaire to customers (Q2).

²⁵ See replies to questions 9 and 9.1 - Questionnaire to competitors (Q1).

²⁶ See replies to question 10 - Questionnaire to competitors (Q1), and question 15– Questionnaire to customers (Q2).

²⁷ According to the parties, the UK Department for Energy and Climate Change requires, for projects larger than 300 MW, the submission of supply chain plans indicating the proportion of domestic supply for the whole project. This is taken into account in deciding the allocation of Contracts for Difference, i.e. contracts which guarantee a stable electricity price to generators of renewable energy. The parties submit they are not aware of any case in which such a contract has been rejected because of lack of domestic supply. See reply to question 12 of the Commission's request for information of 9 December 2014.

Bidding data on UK projects for the last five years²⁸ shows that only one tender out of 18 was awarded to a company with domestic production facilities.²⁹ This one tender accounted for only 1.2% of all offshore foundations for UK wind farms tendered in the period.

- (48) In light of past decisional practice, the Notifying Parties' arguments and the responses to the market investigation, the Commission considers that the relevant geographic markets for offshore foundation tubes and for entire offshore wind foundations are at least EEA-wide in scope.

5.2. Assessment of the notified operation

5.2.1. Offshore foundation tubes (primary steel tubes used as monopiles and primary steel for transition pieces).

- (49) The narrowest plausible relevant market is that of primary steel tubes for offshore foundations. These are the welded carbon steel tubes that can be used as monopiles or primary steel for transition pieces in monopile-type foundations. This is the only plausible relevant market in which the Parties, as well as TAG's assets, were and are active.

- (50) When considering the EEA-wide market for the supply of primary steel tubes for offshore foundations, according to the Parties in 2013 Bladt had a market share (by volume) of approximately [20-30]%, EEW had a market share of [20-30]% whereas the acquired assets had a [0-5]% market share.³⁰

- (51) The Commission observes that the increase in market shares of either party through the acquisition of the TAG assets is marginal and thus unlikely to lead to any anticompetitive effects.³¹ This is in line with the findings of the market investigation, where no customer expects a negative impact from the transaction.³²

5.2.2. Complete transition pieces

- (52) Under a different plausible relevant product market definition, the transaction may produce effects on the market for transition pieces. It is necessary to assess this market because it does not entirely encompass the market for welded carbon steel tubes used for offshore foundations. This is because, on top of the primary steel tubes, secondary steel needs to be added to manufacture a complete transition piece.

²⁸ See Annex R1 6 to the reply to question 20 of the Commission's request for information of 9 December 2014.

²⁹ This company was TAG, and it is the only supplier reported to have had facilities in the UK. See reply to question 13 of the Commission's request for information of 9 December 2014.

³⁰ Form CO, section 4.2.1. Other market players in this market are SIF ([40-50]%), and Ambau ([5-10]%).

³¹ The situation is partly different if one considers the capacity of the acquired assets. However, since this capacity will be used to manufacture transition pieces, this scenario will be discussed in section below.

³² See in particular reply to question 29.3.1, Questionnaire to customers (Q2).

- (53) EEW is not active on the market for complete transition pieces, as it only manufactures the primary steel tubes that are used to produce them. Bladt has a considerable position in this market with a 2013 share of [40-50]% (by number of transition pieces supplied). Over the same period, TAG accounted for approximately [0-5]%.
- (54) Competitors highlighted³³ during the market investigation that, specifically as regards the UK market, the Parties will acquire, through the TAG assets, an additional capacity and a logistical advantage in a Member State which is considered strategic as it is expected to see a significant number of offshore wind farm projects in the near future.³⁴ As the JV would be the only producer capable of providing local content (transition pieces), this may also confer an advantage when bidding for complete projects.
- (55) However, some customers expressly welcomed that the capacity of the TAG assets will be kept on the market through the acquisition, and generally no customer anticipates negative impacts from the transaction.³⁵
- (56) The Commission observes that the transaction will lead to only a marginal increase in Bladt's market share in the supply of transition pieces. Moreover, the acquisition enables the capacity of TAG's assets to be kept on the market. Finally, in line with the geographic dimension of the market, the logistical advantage acquired through assets located in the UK does not constitute a barrier for other suppliers of transition pieces to continue supplying for projects located in the UK. The transaction thus is also unlikely to lead to any anticompetitive effects on this market.

5.2.3. *Complete foundations for offshore wind farms.*

- (57) The JV will not only manufacture transition pieces, but it will also participate in tendering procedures for the entire foundation sets, though only in the UK.³⁶ The Commission has therefore assessed the effects of the notified transaction also as regards bids for the supply of complete foundations.
- (58) The Parties submit that the market shares for complete foundations may overstate the Parties' position, as they do not take into account those portions of the projects that are subcontracted. However, the Commission finds that a reliable indication of the Parties' position can be obtained by looking at the data on the share of manufacturing of monopiles and primary steel over the last five years (period 2009-2014).³⁷ According to these data, Bladt has a market share of [20-30]%, EEW has a market share of [20-30]%, whereas TAG had a market share of [0-5]%. Also

³³ See replies to questions 17 and 17.3 - Questionnaire to competitors (Q1).

³⁴ See replies to question 14 - Questionnaire to competitors (Q1), and replies to question 24 - Questionnaire to customers (Q2).

³⁵ See replies to question 29.2 – Questionnaire to customers (Q2).

³⁶ See Form CO, paragraph 22, and Draft Shareholders Agreement, Annex 5.1.2 to the form CO, paragraph 4.2.

³⁷ 'EEA tender data – 2009-2014', provided in pre-notification as annex R1.5 to the reply to the request for information of 9 December 2014.

for this market, the transaction would thus constitute only result in a marginal increase for either of the Parties.

- (59) As regards the possibility for the JV to bid instead of the Parties, the Commission observes that consortia between different players are common practice in the industry.³⁸ The Parties themselves submitted joint bids in the past and they are regarded by some respondents to the market investigation as complementary players, that could also generate efficiencies through the acquisition of assets in the UK.³⁹
- (60) Finally, as also confirmed by the market investigation,⁴⁰ there is a sufficient number of alternative suppliers who will be able to bid for projects (alone or in consortia) and exert competitive pressure on the Parties as well as on the JV.

5.2.4. *Cooperative effects of the Joint Venture*

- (61) The Parties will retain to a significant extent activities in the same market as the JV (transition pieces regarding Bladt, steel tubes for offshore foundations regarding both Bladt and EEW), and in vertically related markets (production of monopiles by both parents). This may raise the question of possible spill-over effects stemming from the JV. The JV will be a forum where the Parties will regularly meet, discuss and decide on commercial matters in relation to tendered projects (albeit only as regards the UK). This concerns, however, not only decisions to bid in the UK, but also the sub-contracting for the JV's bids (as the JV will have to outsource the supply of monopiles). This structural link could in theory facilitate coordination not only as concerns market contacts, but also as it may provide a lever for the Parties to also coordinate their bidding activities outside of the UK.
- (62) The Parties contend that the economic significance of the JVs activities is limited. Prior to ceasing business, the assets acquired through the JV produced a very low turnover, which would correspond to [0-5]% of Bladt's turnover and [0-5]% of EEW's turnover. Even considering the expected turnover of the assets following investments expected from the Parties, the JV is not expected to generate a turnover which would be higher than approximately [20-30]% of the turnover of the Parties. Within the market investigation, market participants did not raise concerns of possible cooperative effects of the JV.
- (63) The Commission observes that, as also confirmed by the market investigation,⁴¹ it is common practice within the industry that producers bid in consortia and or sub-contract certain parts of the project from other producers. The Commission also notes that none of the Parties' activities has been contributed to the JV. In view of this, as well as of the limited economic significance of the JV's activities compared

³⁸ See also replies to question 12 - Questionnaire to competitors (Q1), and replies to question 21 - Questionnaire to customers (Q2).

³⁹ See replies to question 16 – Questionnaire to competitors (Q1) and replies to questions 26, 26.1, 28, 29.1, 29.2 and 29.3.1 – Questionnaire to customers (Q2).

⁴⁰ See also replies to questions 20 and 20.2 - Questionnaire to competitors (Q1), and replies to questions 28 and 29 - Questionnaire to customers (Q2).

⁴¹ See replies to question 12 and 15 - Questionnaire to competitors (Q1), as well as replies to question 21 and 22 - Questionnaire to customers (Q2).

to the Parties, and in line with the results of the market investigation, the operation does not raise serious doubts as to possible cooperative effects resulting from the JV.

5.2.5. *Conclusions on the competitive assessment*

- (64) In conclusion, based on the information provided by the Parties and on the results of the market investigation, the Commission considers that the proposed transaction does not give rise to serious doubts as to its compatibility with the internal market even under the narrowest plausible product and geographic market definitions.

6. CONCLUSION

- (65) 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 and Article 57 of the EEA Agreement.

For the Commission

(signed)

Margrethe VESTAGER

Member of the Commission