



EUROPEAN COMMISSION  
DG Competition

***Case M.7737 -  
HONEYWELL / ELSTER***

Only the English text is available and authentic.

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

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Purchaser approval - Art. 6(1)(b) in conjunction with 6(2)  
Date: 07/09/2016



## EUROPEAN COMMISSION

Brussels, 7.9.2016  
C(2016) 5811 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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  
IMPLEMENTATION OF  
COMMITMENTS

**To the notifying Party**

Dear Sir/Madam,

**Subject: Case M.7737 - Honeywell/ Elster  
Approval of Energas Turbines B.V. as a purchaser of the Divestment  
Business following your letter of 21.6.2016 and the Trustee's opinion of  
05.07.2016**

### **I. FACTS AND PROCEDURE**

1. By decision of 21.12.2015 ("the Decision") adopted in application of Article 6(1)(b) in connection with Article 6(2) of Council Regulation (EC) No 139/2004 of 20 January 2004 on the control of concentrations between undertakings ("the Merger Regulation"), the Commission declared the operation, by which Honeywell International Inc. ("HON", the U.S.) acquired within the meaning of Article 3(1)(b) of the Merger Regulation sole control of Teaford GmbH, the holding company of the Elster division of Melrose PLC ("Elster", Germany), compatible with the common market and with the EEA Agreement subject to conditions and obligations (the "Commitments"). HON and Elster are further referred to as the "Parties".
2. In particular, the Commitments provided for the divestment by HON of RMG Meßtechnik GmbH, Otto-Hahn-Str. 5, 35510 Butzbach, Germany (the "Divestment Business"), a fully owned subsidiary of HON. The Divestment Business operates a business concerning the design, development, manufacturing and sale in the EEA of turbine gas meters, ultrasonic gas meters, gas chromatographs, gas flow computers, electronic volume correctors and certain other ancillary components for gas stations.
3. In addition to the site owned in Butzbach, Germany, where - amongst others - turbine and ultrasonic gas meters (both for fiscal and non-fiscal applications), gas chromatographs and gas flow computers are manufactured, the Divestment Business also operates two other satellite sites: a site in Beindersheim (Germany) where it manufactures the electronic boards incorporated in the products

manufactured in Butzbach; and a site in Zorneding (Germany) where the software for the RMG products is developed.

4. On 21.03.2016 HON requested a modification of the Key Personnel list attached to the Commitments. Particularly, HON requested to remove one Key Personnel member from that list and to replace it with a newly hired employee. By decision of 22.04.2016 the Commission approved the request for the modification of the Key Personnel list.
5. By letter of 21.06.2016 HON proposed Energas Turbines B.V. (the Netherlands), a fully owned subsidiary of Dalian Energas Investment Co. Ltd (China), the investment arm of the Energas Group ("Energas", China) for approval by the Commission as a purchaser of the Divestment Business and submitted the final and binding Share Purchase Agreement (the "SPA") signed on 21.06.2016.

## **II. OPINION OF THE MONITORING TRUSTEE**

6. AlixPartners UK LLP (the "Trustee") has submitted its reasoned opinion as to Energas' suitability as a purchaser and, in particular, has indicated that it fulfils the purchaser's criteria set out in Section D of the Commitments attached to the Decision. In this reasoned opinion, the Trustee also indicated that, on the basis of the SPA, the Divestment Business would be sold in a manner consistent with the Commitments.
7. In its reasoned opinion, the Trustee considered that Energas is independent of and unconnected to HON and its affiliated undertakings and that Energas has the financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force. The Trustee's analysis of Energas' position and performance suggests that Energas demonstrates a good level of structural profitability and sound financing structures.
8. In addition, the Trustee considers that in view of its industrial expertise in the gas metering business, Energas has acquired extensive knowledge with regard to the industry relevant to the Divestment Business. Energas also has an extensive experience in acquiring, integrating and developing downstream energy businesses.
9. Furthermore, the Trustee considers that Energas neither creates *prima facie* competition concerns nor gives rise to a risk that the implementation of the Commitments would be delayed. Finally, the Trustee submits that Energas and the Divestment Business currently do not compete with each other.

## **III. ASSESSMENT OF THE PROPOSAL**

10. Energas belongs to the Energas Group, which is headquartered in China and is active in the design, engineering, manufacturing and service of fuel gas distribution systems and related products. Energas is a system integrator and has knowledge in the provision of complete system solutions.
11. Energas integrates a number of metering products into gas stations. As a system integrator, Energas has a strong track record in the gas metering sector (with extensive experience in dealing with the design and manufacturing of metering stations to be used in gas stations). It has the know-how and knowledge of the complete system solutions it produces (including Regulating Stations, Metering Stations, Boosting Stations and other auxiliary equipment for Gas Turbines).

**(a) Independence from the Notifying Party**

12. According to Section D of the Commitments, and more specifically Clause 16(a) thereof, the Purchaser shall be independent of and unconnected to the Notifying Party, i.e. HON, and its Affiliated Undertakings.
13. The Trustee confirmed that Energas is entirely independent of HON. There are no cross-shareholdings between the Energas Group (and its affiliates) and HON (and its affiliates). There are no material commercial relationships between HON and the Energas Group. [...].
14. Furthermore, there are no plans that would lead to any material links between HON and the Energas group.
15. In view of the above, the Commission considers that the Proposed Purchaser is independent of and unconnected to HON, as required by the purchaser requirements set out in the Commitments.

**(b) Financial resources, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitor**

16. According to Section D of the Commitments, and more specifically Clause 16(b) thereof, the Purchaser shall have the financial resources and proven expertise, specifically in the gas metering industry. Also, according to Clause 16(c) of the Commitments, the Purchaser shall demonstrate to have the ability and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with the Parties and other competitors.

*Financial resources*

17. The Trustee's financial analysis of Energas' financial resources suggests that Energas displays a good level of structural profitability and sound financial structures. The Commission therefore considers that the financial resources of Energas will allow it to integrate the Divestment Business.

*Proven expertise in the gas metering industry*

18. The Commission considers that as a system integrator, Energas has demonstrated extensive knowledge in the metering industry and has experience with metering equipment.
19. In order to design, engineer and manufacture gas stations and systems, Energas needs to understand the performances, requirements and any other relevant details of the gas metering product installed in the complete gas station. In the past, Energas has used turbine gas meters manufactured by the Divestment Business as components in its gas stations and systems and, therefore, has direct knowledge of and experience with the products of the Divestment Business.
20. As a system integrator, Energas sources components for the gas stations and systems from companies similar to the Divestment Business and has the same customer base as the Divestment Business. It understands the needs, constraints and dynamics that come with these customers.

*Ability and incentive to maintain the Divestment Business as a competitive force on the market and to further develop it in the future*

21. The Commission considers that Energas will have the ability and incentive to maintain the Divestment Business as a competitive force on the market and will develop it in the future as an even stronger force.
22. The Divestment Business is currently a European centered business, achieving the majority of its sales in Germany. In its business plan for the Divestment Business, which incorporates the business plan prepared by the Hold Separate Manager, Energas foresees [...], in line with an expected stagnation in the European market. Hence, Energas plans to maintain [...].
23. As to the incentive to further develop the Divestment Business, it must be noted that Energas is currently primarily active in China and South-East Asia. The Transaction will allow the Divestment Business to expand its activity [...] which will be brought about by the Transaction and which will likely result in [...].

#### *Conclusion*

24. In view of the above, the Commission considers that Energas has the financial capabilities, proven expertise and incentive to maintain and develop the Divestment Business as a viable and active competitive force in competition with HON and other competitors.

#### **(c) Absence of prima facie competition concerns**

25. According to Section D of the Commitments, and more specifically Clause 16(d) thereof, the acquisition of the Divestment Business by the Purchaser must neither be likely to create, in light of the information available to the Commission, *prima facie* competition concerns nor give rise to a risk that the implementation of the Commitments will be delayed. In particular, the Purchaser must reasonably be expected to obtain all necessary approvals from the relevant regulatory authorities for the acquisition of the Divestment Business.
26. The Commission takes the view that the acquisition of the Divestment Business by the Purchaser does not create *prima facie* competition concerns as the Divestment Business and the Energas Group do not appear to operate on the same geographic markets. Moreover, the transaction will not trigger any merger filings.
27. In view of the above, the Commission considers that Energas is neither likely to create, in the light of the information available to the Commission, *prima facie* competition concerns, nor give rise to a risk that the implementation of the Commitments will be delayed.
28. This *prima facie* assessment is based on the information available for the purpose of this buyer approval and does not prejudice the competition assessment of the acquisition of the Divestment Business by the Commission or by any other competent competition authority under applicable merger control rules.

#### **(d) Sale of the Divestment Business in a manner consistent with the Commitments**

29. According to Section D of the Commitments, and more specifically Clause 17 thereof, the Divestment Business must be sold in a manner consistent with the Decision and the Commitments.

30. On the basis of the SPA, the reasoned submission of HON and in light of the foregoing, the Commission further concludes that the Divestment Business is being sold in a manner consistent with the Commitments.

#### **IV. CONCLUSION**

31. On the basis of the above assessment, the Commission approves Energas as a suitable purchaser for the above-mentioned reasons.
32. This decision only constitutes approval of the proposed purchaser identified herein and of the SPA. This decision does not constitute a confirmation that HON has complied with its Commitments.
33. This decision is based on paragraphs 16 and 17 of the Commitments attached to the Commission Decision of 21.12.2015.

*For the Commission*

*(Signed)*  
**Johannes LAITENBERGER**  
*Director-General*