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EUROPEAN COMMISSION
DG Competition

***Case M.7762 - ARCELORMITTAL / FINANCIAL
ENTITIES / GRUPO CONDESA***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 29/01/2016

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EUROPEAN COMMISSION

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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 Where possible the information omitted has been replaced by ranges of figures or a general description.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 parties

Dear Sirs,

Subject: Case M.7762 – ARCELORMITTAL / FINANCIAL ENTITIES / GRUPO CONDESA
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 16 December 2015, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 by which ArcelorMittal Aceralia Basque Holding, S.L. (Spain), belonging to ArcelorMittal Group ('ArcelorMittal'), and the financial institutions Banco Bilbao Vizcaya Argentaria S.A. (Spain), Banco de Sabadell S.A. (Spain), Banco Santander S.A. (Spain), Banco Popular Español S.A. (Spain), Bankia S.A.

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 (the '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').

(Spain), Caixabank S.A. (Spain), Bankinter S.A. (Spain), Caja Rural de Navarra S. Coop. de Crédito (Spain) and Kutxabank S.A. (Spain) (together, the 'Financial Entities') acquire within the meaning of meaning of Article 3(1)(b) of the Merger Regulation joint control over Bagoeta, S.L. ('Bagoeta', Spain) and some of its subsidiaries (together 'Condesa Group', Spain) by way of purchase of shares.³ ArcelorMittal and the Financial Entities are hereinafter jointly referred to as the 'Notifying Parties' while the Notifying Parties and Condesa Group are together referred to as the 'Parties'.

1. THE PARTIES

- (2) ArcelorMittal is active globally in the mining, manufacturing and distribution of various steel products.
- (3) The Financial Entities are active in banking and financial services.
- (4) Condesa Group is active in the manufacturing of different types of small welded carbon steel tubes. Condesa Group has production facilities in France, Germany, and Spain.

2. THE OPERATION AND THE CONCENTRATION

- (5) The proposed transaction consists in the acquisition of joint control by ArcelorMittal and the Financial Entities over Bagoeta and some of its subsidiaries (the Condesa Group). In the context of a debt restructuring, ArcelorMittal will acquire 33% of Bagoeta's share capital while the Financial Entities will hold 66.24%. The remaining 0.76% will be held by an entity that is not part of the proposed transaction.
- (6) Pursuant to the terms of a shareholders' agreement entered into by ArcelorMittal and the Financial Entities⁴ on 30 July 2015, Bagoeta's Board will consist of [...] members, [...] of which appointed by ArcelorMittal and [...] by the Financial Entities.⁵ Strategic decisions, including the approval, amendment, suspension, cancelation and/or any deviation of the business plan, the annual budget, the investment and funding plan, will have to be adopted by at least [...] of Bagoeta's board members.⁶ Therefore each of ArcelorMittal and the Financial Entities will have a veto right over the adoption of strategic decisions at Bagoeta.
- (7) Moreover, the Notifying Parties will co-determine the structure of the management team of Bagoeta [...].⁷
- (8) In view of the above, ArcelorMittal and the Financial Entities will jointly control Bagoeta and, as a consequence, the Condesa Group. The transaction therefore

³ Publication in the Official Journal of the European Union No C433, 23.12.2015, p. 3.

⁴ Pursuant to Clause 3 of the Shareholders' Agreement, the Financial Entities have agreed to exercise jointly their rights and obligations in Bagoeta [...].

⁵ Clause 7.1. of the agreement.

⁶ Clause 7.8. of the agreement. See also schedule 7.8 to the agreement.

⁷ Clause 8 of the agreement.

constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation

3. UNION DIMENSION

- (9) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million.⁸ Moreover, ArcelorMittal (EUR [...]) and Banco Santander S.A. (EUR [...]) have a Union-wide turnover in excess of EUR 250 million, but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State.
- (10) The notified transaction therefore has a Union dimension within the meaning of Article 1(2) of the Merger Regulation.

4. COMPETITIVE ASSESSMENT

- (11) The Parties' activities overlap and result in horizontally affected markets in the production of small welded carbon steel tubes.
- (12) The transaction also gives rise to vertical links, namely between (i) ArcelorMittal's activities in the production of flat carbon steel products (upstream) and the Condesa Group's and ArcelorMittal's activities in the production of small welded carbon steel tubes (downstream), as well as between that tube production (upstream) and ArcelorMittal's downstream activities in (ii) the distribution of steel products, (iii) the production of tubular automotive components and (iv) carbon dioxide cartridges. However, based on the information provided by the Notifying Parties⁹, the vertical links under points (ii), (iii) and (iv) do not give rise to vertically affected markets and they are not discussed further in this decision.

4.1. Relevant markets

- (13) The relevant markets for the purpose of this decision are those for (i) the production and supply of flat carbon steel products and (ii) the production and supply of small welded carbon steel tubes.

4.1.1. Production and supply of flat carbon steel

4.1.1.1. Product market definition

- (14) In past decisions, the Commission has consistently distinguished steel products based on the chemical composition of the steel (metallurgical characteristics) on the one hand, and according to the physical shape of the products on the other. Based on chemical composition, the Commission has distinguished four broad

⁸ ArcelorMittal EUR 59.7 billion; Bagoeta: EUR 0.2 billion; Banco Bilbao Vizcaya Argentaria S.A.: EUR 12.3 billion; Banco de Sabadell S.A.: EUR 4.7 billion; Banco Santander S.A.: EUR 76.8 billion; Banco Popular Español S.A.: EUR 1.8 billion; Bankia S.A.: EUR 4.5 billion; Caixabank S.A.: EUR 6.9 billion; Bankinter S.A.: EUR 2.9 billion; Caja Rural de Navarra S. Coop. de Crédito: EUR 0.3 billion; Kutxabank S.A.: EUR 0.01 billion. Turnover calculated in accordance with Article 5 of the Merger Regulation.

⁹ For the downstream products and services, the Notifying Parties submit that irrespective of the market definition, their market shares are less than 30%.

categories of steel products: (i) carbon steel, (ii) stainless steel, (iii) specialty steels and (iv) electrical steel. The present case only concerns carbon steel.

- (15) Carbon steel is carbon-based steel containing no or little amounts of alloying elements. In addition, the Commission has consistently held that, within carbon steel, flat products constitute distinct product markets.¹⁰
- (16) There are three stages in the production process of flat carbon steel products: (i) hot-rolling, (ii) cold-rolling and (iii) coating. In line with those production stages, the Commission has considered in previous decisions that the following carbon steel flat products constitute separate product markets: (i) quarto plates, which are produced in specific quarto (four-stand) mills¹¹ (ii) hot-rolled products excluding quarto plates, (iii) cold-rolled products, (iv) steel for packaging, (v) galvanised steel and (vi) organic coated (e.g. painted) steel.¹²
- (17) The markets relevant for the assessment of the proposed transaction are those for (i) hot-rolled flat carbon steel products, excluding quarto plates, ('HR') (ii) cold-rolled flat carbon steel products ('CR') and (iii) galvanised flat carbon steel products ('GS').
- (18) The Notifying Parties agree with the above segmentations.

4.1.1.2. Geographic market definition

- (19) In its latest decision assessing flat carbon steel products, M.7155 – *SSAB / Rautaruukki*, which is from 2014, the Commission first referred to earlier practice in which the markets had been found to be EEA-wide or at least EEA-wide. However, the Commission then investigated whether the Nordic countries belonged to the same relevant geographic market as the rest of the EEA. The Commission found that there was at least a serious possibility that the three Nordic countries (Finland, Sweden and Norway) constituted a separate market particularly for HR and CR, though it left the question ultimately open.¹³
- (20) In the present case, the Condesa Group has significant production activities in the Iberian Peninsula where ArcelorMittal is also active in the upstream production of flat carbon steel. However, the Notifying Parties submit that the relevant markets for flat carbon steel products are EEA-wide and that, in particular, the Iberian Peninsula does not constitute a distinct geographic market.
- (21) For the purposes of the present case, it was not necessary for the Commission to assess whether the Iberian Peninsula constitutes a market separate from the rest of the EEA for flat carbon steel products. It is also not necessary in the present case

¹⁰ See, e.g. M.7155 – *SSAB / Rautaruukki*, paragraphs 22–5; M.4137 – *Mittal / Arcelor*, paragraphs 8 and 17; and ECSC.1351 – *Usinor / Arbed / Aceralia*, paragraphs 32–3.

¹¹ Quarto plates are non-coiled hot-rolled products with very different dimensions, in particular in term of thickness, from other hot-rolled flat products.

¹² See, e.g. M.7155 – *SSAB / Rautaruukki*, paragraphs 22–5; M.4992 – *ArcelorMittal / Galvex*, paragraphs 10–1 and 15; M.4137 – *Mittal / Arcelor*, paragraphs 18–37; and ECSC.1351 – *Usinor / Arbed / Aceralia*, paragraphs 34–67.

¹³ M.7155 – *SSAB / Rautaruukki*, paragraphs 63–102. A similar finding was made for organic coated flat carbon steels, which are not relevant for the purposes of the present case.

for the Commission to conclude on the exact scope of the geographic markets as the proposed transaction does not give rise to serious doubts about its compatibility with the internal market even under that narrowest possible geographic market definition.

4.1.2. *Markets for small welded carbon steel tubes*

4.1.2.1. Product market definition

- (22) In its previous decisions, the Commission has considered various different delineations of the product markets for the production and supply of steel tubes on the basis of the type of steel used in the tubes, the size of the tubes and their technical characteristics.
- (23) The Commission has previously distinguished tubes made of carbon steel from tubes made of other types of steel. Further, the Commission has distinguished small-diameter tubes from large-diameter tubes as well as welded tubes from seamless tubes. Furthermore, within small welded carbon steel tubes, the Commission has made a distinction between standard / commodity tubes and precision tubes. Finally, within standard tubes, the Commission has considered various potential sub-segmentations such as structural tubes / hollow sections, commercial tubes and mechanical tubes.¹⁴
- (24) The present case concerns small welded standard carbon steel tubes and small welded precision carbon steel tubes.
- (25) The Notifying Parties submit that sub-segmenting small welded standard carbon steel tubes or small welded precision carbon steel tubes further is not appropriate. Nonetheless, they acknowledge that, with respect to their production process, both standard carbon steel tubes and precision carbon steel tubes can be cold-finished (cold-formed) or hot-finished. Cold-finished tubes are produced in ambient temperature with no additional heat treatment (save possibly for the weld-seam). Hot-finished tubes, on the other hand, are heat-treated after having been first cold-formed. The Notifying Parties further note that cold-finished and hot-finished tubes are produced on separate production lines and are not substitutable.
- (26) The replies to the market investigation support the view that there is no supply side substitutability between cold-finished and hot-finished small welded carbon steel tubes even if a number of suppliers can produce both. Demand side substitutability was also indicated to be limited.¹⁵
- (27) It is not necessary in the present case to conclude on the exact product market definitions as the proposed transaction does not give rise to serious doubts about its compatibility with the internal market under any alternative market definition.

¹⁴ M.2382 – *Usinor / Arbed / Acerali*, paragraphs 21–2 and 44–6. See also, e.g. M.1595 – *British Steel / Hoogovens*, paragraphs 10 and 19; M.906 – *Mannesmann / Vallourec*, paragraphs 26, 29–31 and 36–55; M484 – *Krupp / Thyssen / Riva / Falck / Tadfın / AST*, paragraph 17; and M.315 – *Mannesmann / Vallourec / Ilva*, paragraph 17.

¹⁵ See, e.g. replies to the questions 14–6 of Q1 – Questionnaire to competitors; and replies to the questions 5–7 of Q2 – Questionnaire to customers of carbon steel small welded tubes. See also confirmed minutes of a phone call with a market participants on 9.11.2015 and 11.11.2015.

4.1.2.2. Geographic market definition

- (28) The Commission has previously left it open whether the relevant market for the production and supply of steel tubes was EEA-wide.¹⁶
- (29) The Notifying Parties submit that the relevant market is at least EU or EEA-wide and that there is no need to distinguish between the Iberian Peninsula and the rest of the EEA.
- (30) For the purposes of the present case, it was not necessary for the Commission to assess whether the Iberian Peninsula constitutes a market separate from the rest of the EEA for small welded carbon steel tubes. It is also not necessary in the present case for the Commission to conclude on the exact scope of the geographic markets as the proposed transaction does not give rise to serious doubts about its compatibility with the internal market even under that narrowest possible geographic market definition.

4.2. Horizontal overlaps

- (31) ArcelorMittal and the Condesa Group are both active in the production and supply of small welded carbon steel tubes.
- (32) The Notifying Parties submit that the proposed transaction does not give rise to competition concerns related to horizontal overlaps because the Parties' combined market shares remain low, there is substantial overcapacity in the markets and a number of alternative suppliers will remain active.
- (33) The Notifying Parties have submitted that the Parties' combined market shares will generally be low and remain below 20% under most market delineations.¹⁷ However, their volume-based combined market share would reach [20–30]% (ArcelorMittal: [10–20]%; Grupo Condesa: [5–10]%) in the potential segment for hot-finished small welded carbon steel tubes in the EEA.
- (34) Furthermore, it cannot be excluded that horizontally affected markets could arise in the potential segments of (i) hot-finished small welded standard carbon steel tubes in the EEA, (ii) hot-finished small welded precision carbon steel tubes in the EEA (iii) cold-finished small welded standard carbon steel tubes in the EEA and (iv) cold-finished small welded precision carbon tubes in the EEA or in the Iberian Peninsula. While the Parties have not been able to provide exact market shares for those potential markets, they have estimated the Parties' combined market shares to remain below 30% in each of them.

¹⁶ See, e.g. M.2382 – *Usinor / Arbed / Aceralia*, paragraph 35. In some earlier cases, it was concluded that the markets were at least EU or EEA-wide, see e.g. M.1595 – *British Steel / Hoogovens*, paragraphs 14–5; and M.906 – *Mannesmann / Vallourec*, paragraph 56.

¹⁷ For instance, the Parties estimate that in 2014 their combined market share in the overall market for small welded carbon steel tubes was [5–10]% (ArcelorMittal [0–5]% and Grupo Condesa [0–5]%) while, considering further segmentations, their combined market share was [5–10]% (ArcelorMittal [0–5]% and Grupo Condesa [0–5]%) in standard small welded carbon steel tubes and [5–10]% (ArcelorMittal [0–5]% and Grupo Condesa [0–5]%) in precision small welded carbon steel tubes.

- (35) The Notifying Parties further indicate that post-transaction many other strong pan-European competitors will remain active in the supply of small welded carbon steel tubes at EEA-level, such as the vertically integrated steel producers Tata Steel ([5–10] % market share) and Marcegaglia ([10–20] %), as well as Padana Tubi ([5–10] %). Moreover, several local players will continue to operate in different countries. In the Iberian Peninsula, which in line with the rest of Southern Europe is currently characterised by abundant spare capacity, significant alternative local players would continue to operate, namely Arregui, Aratubo, Flinsa, Ferpinta, Chinchurreta and Hijos de Juan de Garay.
- (36) The Commission notes that, according to the data submitted by the Notifying Parties, their combined market shares will be small. There also appears to be some geographic complementarity between the Parties' activities. In particular, in the Iberian Peninsula, where the Condesa Group achieves a volume-based market share of [10–20] % in all small welded carbon steel tubes, ArcelorMittal's sales were minor ([0–5] %) and consisted only of a limited volume of cold-finished small welded precision carbon steel tubes in 2014.
- (37) The findings of the market investigation confirmed that post-transaction customers will continue to be able to rely on several alternative suppliers for small welded carbon steel tubes. Some respondents that are currently Condesa Group customers indicated they could easily identify alternative suppliers to the Condesa Group, such as for instance Tata Steel, Padana Tubi, Marcegaglia, Arvedi, SSAB, Ilva and Aratubo.¹⁸ On the other hand, some of the competitors indicated that their offering overlaps with that of the Condesa Group in terms of the range of small welded carbon steel tubes offered. At least five of them cover the full product portfolio of the Condesa Group.¹⁹
- (38) The majority of respondents to the market investigation indicated that the proposed transaction would not adversely affect competition in any significant manner.²⁰ Moreover, some of the respondents to the market investigation pointed out that the proposed transaction is likely to have a beneficial effect on competition as they expect that, after the transaction, the Condesa Group will be able to overcome the financial difficulties it has suffered in recent years and that have turned some customers to alternative suppliers, and therefore will be a more effective competitive constraint for its competitors.²¹
- (39) Some respondents to the market investigation have raised concerns that, post-transaction, ArcelorMittal could have a competitive advantage over its competitors

¹⁸ See, e.g. replies to the question 14 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

¹⁹ See, e.g. replies to the question 32 of Q1 – Questionnaire to competitors.

²⁰ See, replies to the questions 38 through 41 of Q1 – Questionnaire to competitors and replies to the questions 19–23 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

²¹ See, e.g., questions 18 and 19 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

due to its nature of vertically integrated supplier, expanded range of products, and ability to leverage the Condesa Group's production facilities.²²

- (40) However, it should be borne in mind that the markets for small welded carbon steel tubes are characterised by significant overcapacity. Some of the respondents to the market investigation have indicated that prices for small welded carbon steel tubes are particularly low and that they expect them to remain so.²³ Moreover, certain of the Parties' customers are of the view that it is unlikely that the proposed transaction could lead to higher prices because there are a sufficient number of alternative suppliers active in the market.²⁴ Should the proposed transaction indeed result in the Condesa Group resuming higher production volumes, that would result in further capacity coming to the markets which in turn could lead to further price reductions. It must also be noted that, while through the proposed transaction ArcelorMittal will expand its range of products, there are a number of alternative suppliers that manufacture competing products and represent an alternative to the Parties' own offering.
- (41) Therefore, it is unlikely that the horizontal relationship between ArcelorMittal's and the Condesa Group's activities would lead to price increases in the market for small welded carbon steel tubes.

4.3. Vertical relationships

4.3.1. Vertical relationship – supply of flat steel products vs supply of tubes

- (42) ArcelorMittal is active as supplier of flat carbon steel products, namely HR, CR and GS in the EEA, including the Iberian Peninsula. Such products are used as the main inputs in the downstream production of carbon steel tubes in which both ArcelorMittal and the Condesa Group are active. The vertical links give rise to vertically affected markets due to ArcelorMittal's market shares in the upstream markets. In the downstream market, as seen above, the Parties' combined market shares will not exceed 30%.
- (43) The Notifying Parties estimate that, at the EEA-level, ArcelorMittal's volume-based market shares remain below 30% in HR and CR but exceed 30% in the market for GS, with [30–40]% in 2014, [30–40]% in 2013 and [30–40]% in 2012.²⁵ Other competitors in that market include market players such as ThyssenKrupp ([10–20]% in 2013), Tata Steel ([5–10]% in 2013) and Ilva ([5–10]% in 2013)²⁶.

²² See, replies to the questions 38 through 41 of Q1 – Questionnaire to competitors and replies to the questions 19–23 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

²³ Replies to the questions 20 and 21 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

²⁴ Replies to the questions 21 and 22 of Q2 – Questionnaire to customers of small welded carbon steel tubes.

²⁵ In M.7155 – SSAB / Rautaruukki, the Commission considered whether the Nordic countries constitute a market separate from the EEA. ArcelorMittal has estimated that, on the potential EEA-market excluding the Nordic countries, its market share remains below 40% for GS and below 30% for HR and CR.

²⁶ Market shares are the Notifying Parties' estimates. They were not able to provide market shares per competitor for 2014.

- (44) However, if the Iberian Peninsula was considered separately, the market shares with respect to each of HR, CR and GS would give rise to vertically affected markets. The Notifying Parties' estimates for ArcelorMittal's market shares on the upstream markets in the Iberian Peninsula are described in Table 1 below.

Table 1 – ArcelorMittal's market shares for flat carbon steel products in the Iberian Peninsula (volume)

	2012		2013		2014	
	AM sales (kilo-tonnes)	AM market share (%)	AM sales (kilo-tonnes)	AM market share (%)	AM sales (kilo-tonnes)	AM market share (%)
HR	[...]	[40–50]%	[...]	[40–50]%	[...]	[40–50]%
CR	[...]	[40–50]%	[...]	[30–40]%	[...]	[30–40]%
GS	[...]	[40–50]%	[...]	[40–50]%	[...]	[40–50]%

Source: The Notifying Parties

- (45) According to the Notifying Parties, other major competitors in the Iberian Peninsula will continue to operate post-transaction, such as Ilva ([5–10] % HR, [10–20] % CR, [5–10] % GS in 2013), Tata Steel ([5–10] % HR, [5–10] % CR and [5–10] % GS in 2013) and ThyssenKrupp ([0–5] % HR, [0–5] % CR, [10–20] % GS in 2013)²⁷.
- (46) Therefore, the Notifying Parties submit that the proposed transaction does not give rise to competition concerns related to the vertical links.
- (47) Vertical links can generally give rise to two types of competition concerns: input foreclosure and customer foreclosure. For a foreclosure to be a competition concern, the merged entity would need to have the ability and incentive to engage in it, and such foreclosure would need to have an overall negative impact on the downstream markets.²⁸

4.3.1.1. Input foreclosure

- (48) It is unlikely that ArcelorMittal would have the ability to engage in input foreclosure post-transaction even if the Iberian Peninsula were to be assessed on its own, let alone at the EEA-level. As the Condesa Group is not active in the production of flat carbon steel products, the proposed transaction will also not increase ArcelorMittal's present ability, if any, to engage in such behaviour.
- (49) With regard to the ability, although the market shares submitted by the Notifying Parties show that ArcelorMittal is a material player in the upstream markets, particularly in the Iberian Peninsula, a number of alternative suppliers such as Ilva, ThyssenKrupp and TataSteel will nonetheless remain on the market. A clear majority of those tube manufacturers that currently source flat carbon steel products from ArcelorMittal replied that they could find alternative suppliers if

²⁷ Market shares are the Notifying Parties' estimates. They were not able to provide market shares per competitor for 2014.

²⁸ See the Commission's Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 265, 18.10.2008, p. 7, paragraphs 30–77.

they were not able to source from ArcelorMittal. That included Iberian manufacturers.²⁹

- (50) The Notifying Parties have also referred to significant idle capacities in the upstream markets in Europe. For instance, the Notifying Parties estimate that the spare capacity in 2014 was [...] tonnes for GS only while the total production of small-welded carbon steel tubes made of GS feedstock was [...] tonnes and the total production of all small welded carbon steel tubes (made of HR, CR and GS) in the EEA was [...] tonnes.
- (51) Furthermore, even if ArcelorMittal had the ability to engage into input foreclosure, it is unlikely that the proposed transaction would give ArcelorMittal an incentive to do so.
- (52) In order for ArcelorMittal to have such an incentive, it would need to be able to recoup any upstream losses by increased profits downstream. The likelihood of this is limited in the present case by the fact that the proposed transaction will see ArcelorMittal only acquire a 33% stake in the Condesa Group. Therefore, ArcelorMittal would need to bear any losses of upstream sales alone while it would need to share any increased downstream profits with the other owners of the Condesa Group.
- (53) Finally, it is unlikely that any input foreclosure engaged into by ArcelorMittal would have significant detrimental effects on the downstream tube markets. In particular, a number of vertically integrated competitors such as TataSteel and Arvedi will remain on the market. Those competitors with internal supplies of flat carbon steel products would be at least partially shielded from any input foreclosure attempts by ArcelorMittal. Moreover, the downstream markets are characterised by significant over capacity in Europe, which makes price increases unlikely. That view has also been supported in the market investigation.³⁰

4.3.1.2. Customer foreclosure

- (54) The Condesa Group is not a significant customer of flat carbon steel products. In 2014, the Condesa Group sourced in total [...] tonnes of HR, [...] tonnes of CR and [...] tonnes of GS. The Notifying Parties estimate that the total supplies in the EEA were [...] tonnes of HR, [...] tonnes of CR and [...] tonnes of GS. The Condesa Group therefore only sourced less than [0-5]% of the total supply of each of HR, CR or GS in the EEA.
- (55) ArcelorMittal already meets over [...]% of Condesa Group's demand of flat carbon steel products, as described in

²⁹ See, e.g. replies to question 28, 29, and 31 of Q1 – Questionnaire to competitors. See also confirmed minutes of phone calls with market participants on 5.11.2015 and 6.11.2015

³⁰ See, e.g. confirmed minutes of a phone with a market participant on 15.1.2016.

(56) Table 2 below.

Table 2 – Condesa Group’s sourcing in 2014 (volume)

	AM supplies (tonnes)	Other suppliers (tonnes)	Total supplies (tonnes)	AM share (%)
HR	[...]	[...]	[...]	[...]%
CR	[...]	[...]	[...]	[...]%
GS	[...]	[...]	[...]	[...]%
Total	[...]	[...]	[...]	[...]%

Source: The Notifying Parties

- (57) Therefore, the Condesa Group is at present only sourcing [...] amounts of flat carbon steel products from suppliers other than ArcelorMittal. Any customer foreclosure concerns can thus be excluded.

4.3.1.3. Conclusion on non-horizontal effects

- (58) The Commission considers that the proposed transaction does not give rise to serious doubts about its compatibility with the internal market with respect to non-horizontal effects.

5. CONCLUSION

- (59) 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*