



EUROPEAN COMMISSION
DG Competition

***Case M.7799 -
SCHLUMBERGER /
CAMERON***

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 04/02/2016

***In electronic form on the EUR-Lex website under
document number 32016M7799***



Brussels, 4.2.2016
C(2016) 778 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

To the notifying party:

Dear Sir/Madam,

**Subject: Case M.7799 - SCHLUMBERGER / CAMERON
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 23.12.2015, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which the undertaking Rain Merger Sub LLC (of the United States of America), controlled by Schlumberger Holdings Corporation of the United States of America ("Schlumberger") enters into a full merger within the meaning of Article 3(1)(b) of the Merger Regulation with Cameron International Corporation of the United States of America ("Cameron") by way of purchase of shares³. (Schlumberger and Cameron are thereafter referred to as "the Parties".)

1. THE PARTIES

- (2) Schlumberger provides services to the Oil and Gas industry and particularly provides oilfield products and services supplying technology, information solutions, and

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").

³ Publication in the Official Journal of the European Union No C 006, 09.01.2016, p. 3.

integrated project management for oil and gas customers. Schlumberger is currently organised into three Groups:

- a. *Reservoir Characterization Group*: This business group provides the principal technologies involved in finding and defining hydrocarbon resources.
 - b. *Drilling Group*: This business group provides the services and technologies involved in the drilling and positioning of oil and gas wells.
 - c. *Production Group*: This group provides the services and technologies involved in the production of oil and gas reservoirs.
- (3) Cameron provides drilling and production systems, valves and measurement, and topside process systems used to carry out a number of functions on the platform above sea level by the oil, gas and process industries. Cameron is organised into four main business units:
- a. *Subsea*: delivers solutions, products, systems and services to the subsea oil and gas market, including integrated subsea production systems involving wellheads, subsea trees, manifolds and flowline connectors, subsea processing systems for the enhanced recovery of hydrocarbons, control systems, connectors and services designed to maximize reservoir recovery and extend the life of each field.
 - b. *Surface*: provides onshore and offshore platform wellhead systems and processing solutions, including valves, chokes, actuators, christmas trees and services to oil and gas operators. Rental equipment and artificial lift are also provided, as well as products and services involving shale gas production.
 - c. *Drilling*: provides drilling equipment and services to shipyards, drilling contractors, exploration and production operators and rental tool companies. The products of the Drilling segment fall into two broad categories: (i) pressure control equipment; and (ii) rotary drilling equipment. They are designed for either onshore or offshore applications. Such products include drilling equipment packages, blow out preventers (BOPs), BOP control systems, connectors, riser systems, valve and choke manifold systems, topdrives, mud pumps, pipe handling equipment, rig designs and rig kits.
 - d. *Valves and Measurement ("V&M")*: The V&M segment businesses serve portions of the upstream, midstream and downstream markets. These businesses provide valves and measurement systems that are primarily used to control, direct and measure the flow of oil and gas as they are moved from wellheads through flow lines, gathering lines and transmission systems to refineries, petrochemical plants and industrial centres for processing. Products include various types of valves as well as measurement equipment products such as totalizers, turbine meters, flow computers, chart recorders, ultrasonic flow meters and sampling systems.
- (4) In 2013, Schlumberger and Cameron were granted unconditional approval by the European Commission to form the joint venture OneSubsea, active in the

manufacture, development and supply of products, systems and services for subsea oil and gas production.⁴ OneSubsea is 60% owned by Cameron and 40% by Schlumberger. After the Proposed Transaction Schlumberger will also acquire full control over OneSubsea.

2. THE CONCENTRATION

- (5) Under the terms of the Merger Agreement, Schlumberger will acquire Cameron in a transaction in which Rain Merger Sub LLC, a wholly owned subsidiary of Schlumberger, will merge with and into Cameron, with Cameron as the surviving entity. As a result, Schlumberger will acquire all of the outstanding and issued voting securities of Cameron (the "Proposed Transaction").⁵
- (6) Following the Proposed Transaction Schlumberger will acquire sole control over Cameron and therefore it constitutes a concentration according to Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁶. Each of them has an EU-wide turnover in excess of EUR 250 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.

4. MARKET DEFINITION

- (8) The Proposed Transaction gives rise to (i) a number of horizontal and vertical overlaps between Schlumberger and Cameron as well as (ii) several vertical relationships between either of the Parties and OneSubsea, a joint venture currently jointly controlled by the Parties.
- (9) Regarding the overlaps between the Parties, only the Parties' activities in the areas of Produced Water Treatment ("PWT") and Chokes give rise to three horizontally potentially affected markets, namely produced water de-oiling, produced sand management and drilling chokes.
- (10) Regarding vertical relationships between the Parties and OneSubsea, the Proposed Transaction gives rise to four vertically affected markets in relation to subsea CIVs as well as Subsea chokes (upstream) and Subsea christmas trees and subsea manifolds (downstream).
- (11) In neither of the affected markets the Proposed Transaction will give rise to competition concerns.

⁴ COMP/M.6854 – Cameron / Schlumberger / OneSubsea, decision of 15 April 2013.

⁵ As a consequence, Schlumberger also acquires Cameron's stake in and thereby sole control over OneSubsea, a joint venture jointly controlled by Cameron and Schlumberger.

⁶ Turnover calculated in accordance with Article 5 of the Merger Regulation.

4.1. Product market definition

4.1.1. Produced Water Treatment

- (12) The extraction of oil and gas from underground reservoirs is accompanied by water or brine (which is referred to as “produced water”) and sand. The efficient production of oil and gas requires the separation of water and solids from the oil.
- (13) PWT equipment is designed to remove oil, gas, and sand from produced water and to clean produced sand so that the produced water may be re-injected or disposed of and the produced sand may be disposed of. Produced water and sand management equipment may be used onshore and offshore.
- (14) The Notifying Party claims that equipment for Produced Water de-oiling and Produced Sand management constitute two distinct product markets. Produced Water De-oiling equipment is designed and employed to separate oil from produced water, whereas Produced Water Sand Management equipment is employed to remove sand from produced water, then to clean and transport it. They thus perform distinct functions and end uses, and because Produced Water De-oiling technologies are not substitutable with Produced Water Sand Management technologies, they should be viewed as separate relevant product markets.
- (15) The market investigation carried out by the Commission gave strong indications that de-oiling and sand management products are part of separate markets. All the customers and competitors contacted in fact indicated that de-oiling equipment and sand management equipment differ substantially.⁷
- (16) The market investigation also indicated that, notwithstanding the fact that for some of the products used in both applications the underlying physical principle is the same (centrifugal force), equipment used for de-oiling applications cannot be adapted for use in sand management applications.⁸
- (17) The Commission also found some indications that, albeit the larger suppliers are able to manufacture both de-oiling and sand management products, some of the Parties' smaller competitors specialise in one of the two product lines.⁹
- (18) As regards Produced Water De-oiling, the Notifying Party submits that the relevant product market for Produced Water De-oiling does not need to be further segmented according to the technology and equipment used to deliver such services.
- (19) The Commission found some indications that all the technologies employed in de-oiling fulfil the same purposes and customers can use them interchangeably.¹⁰ The market investigation also indicated that some customers or group of customers may have different preferences as regards the technology to be employed; however this is not due to the fact that some of the technologies cannot fulfil the required applications.

⁷ Non-confidential minutes of calls with competitors and customers on 11, 12, 13, 14 and 15 January 2016.

⁸ Non-confidential minutes of a call with competitors on 11, 12, 13 and 15 January 2016.

⁹ Non-confidential minutes of a call with a competitor on 11 January 2016 and a customer on 12 January 2016.

¹⁰ Non-confidential minutes of a call with a competitor on 11 January 2016.

- (20) In some circumstances, removal of oil from the produced water requires more than one stage; this depends on the characteristics of each well and of the extracted hydrocarbon. The market investigation indicated that the different stages generally are carried out by employing different technologies and not by replicating the same technology multiple times.¹¹ The Commission takes the view that this is an indication that technologies used in de-oiling are substitutable from a demand side.
- (21) As regards Produced Water Sand Management, the Notifying Party submits that distinct markets could be defined for De-sanding and Sand transportation equipment. However, all the market participants contacted during the market investigation stated that sand transportation and disposal is carried out by the same suppliers in charge of sand management operations.¹² Nevertheless, the question can be left open as no competition concern arises in any plausible scenario.
- (22) Finally the Notifying Party submits that for both, Produced Water De-oiling and Produced Water Sand Management distinct product markets should be defined for onshore and offshore equipment as onshore equipment is not suitable for offshore operations due to a larger footprint and different technologies used.
- (23) The market investigation indicated that, as regards de-oiling equipment, it may be appropriate to segment between off-shore and on-shore equipment. This is because all respondents to the market investigation stated that customers have stricter requirement for off-shore equipment, mainly due to the environment where it must operate.¹³ In off-shore installation, in fact, limiting space and weight is of paramount importance; therefore equipment for off-shore installation is designed to have a significantly more limited footprint. According to the respondents to the market investigation, as a result of the need for equipment to be more compact, offshore equipment is also more technologically more advanced. As a direct consequence of this technology gap, equipment for off-shore installation is usually also more expensive. Furthermore, the market investigation indicated that equipment used for on-shore applications cannot be used for off-shore applications, specifically due to the different conditions it is designed to operate in¹⁴, and that manufacturers of on-shore equipment may not have the sufficient know-how to readily start producing off-shore equipment.¹⁵
- (24) In light of the above, the Commission considers that (i) de-oiling and de-sanding equipment form parts of separate product markets that can be possibly further segmented by technology and (ii) these product markets can be further segmented into onshore and offshore. However, ultimately the exact product market can be left open as the Proposed Transaction does not raise competition concerns under any plausible product market definition.

¹¹ Non-confidential minutes of calls with competitors on 12 January 2016, 15 January 2016 and customers on 12 January 2016 and 14 January 2016.

¹² Non-confidential minutes of calls with competitors and customers on 11 and 12 January 2016.

¹³ Non-confidential minutes of calls with competitors and customers on 11, 12, 13, 14 and 15 January 2016.

¹⁴ Non-confidential minutes of calls with a customer on 12 January 2016 and a competitor on 15 January 2016.

¹⁵ Non-confidential minutes of a call with a competitor on 12 January 2016.

4.1.2. Chokes

- (25) Chokes are a type of valve that acts as a restriction in drilling and production systems, and which is used to control the flow rate of fluids and gas, and to manage the pressure reduction as the fluid leaves the wellbore. Multiple chokes are used on a well (as part of larger assemblies, such as manifolds), to control pressure and flow rates. Chokes are available in several configurations and technologies: Different choke technologies can be used to restrict fluid flow, and the technology deployed depends on whether the use is only for open/close functions or also partially open. Chokes can be turned manually or mechanically by using hydraulic or electric actuators.
- (26) Chokes can be sold on a stand-alone basis or can be incorporated in a "manifold". Schlumberger sells chokes on a stand-alone basis whereas Cameron does not, and incorporates them in the manifolds it sells; however Cameron did sell some chokes on a stand-alone basis as a replacement part to some of its manifolds customers. In addition, Cameron also sold chokes on a stand-alone basis to non-manifold customers on [limited occasions, outside the EEA].
- (27) There are two main types of chokes used in the O&G industry: (i) drilling chokes and (ii) production (or well-control) chokes. Drilling chokes used during drilling to maintain a suitable back pressure in the well bore, and to control the unloading of gas that may be entrained in the drilling mud. Production chokes are used during production to maintain a suitable back pressure, manage start-up of the well, and control the production rate. The Parties' activity overlap only in respect to drilling chokes and therefore production chokes will not be discussed further.
- (28) There are two main types of drilling chokes that are currently produced by the Parties: (i) disc-style chokes and (ii) gate & seat-style chokes. According to the Parties each style of choke can be used for the same end-use applications, but customers may have a preference for a specific type of choke. However, the Parties submit that the two types of chokes are substitutable as they perform the same function and are used for the same applications. Only for some specialty applications, accruing for less than 10% of the total demand of chokes, the two types may not be interchangeable.
- (29) The Commission did not assess at the market for chokes in the past, however in the decision authorising the creation of the OneSubsea joint venture between Schlumberger and Cameron (the "2013 Decision"), the Commission defined the market for subsea chokes as being separate to subsea manifolds. By analogy, Schlumberger considers that topside chokes constitute a separate relevant product market from topside manifolds.
- (30) With regards to a possible segmentation between drilling chokes and production chokes, the Parties claim that these two types of chokes are not substitutable from a demand side perspective as they have a fundamentally different design and do not perform the same functions. Also, from a supply side perspective, a producer of drilling chokes would not be able to very promptly and profitably switch to manufacturing production chokes. In light of the above, the Parties claim that drilling chokes and production chokes each form separate product markets.
- (31) Further to this, the parties claim that a further segmentation according to the style of choke is inappropriate as disc-style chokes and gate & seat-style chokes are interchangeable (see paragraph 28 above).

- (32) There is no overlap in the supply of production chokes between the Parties given that Schlumberger only supplies drilling chokes. Therefore, the delineation between both types of chokes can be left open as the competitive assessment will be unchanged regardless of whether production chokes and drilling chokes belong to the same product market.
- (33) Further, among drilling chokes, the question whether disc style chokes and gate & seat style chokes belong to the same product market can be left open as the Proposed Transaction does not raise competition concerns under any plausible product market definition.
- (34) In light of the above, the Commission considers ultimately it can be left open, whether separate markets for drilling chokes and production chokes are to be defined or whether these markets are to be segmented even further as the Proposed Transaction does not raise competition concerns under any plausible product market definition.

4.2. Geographic market definition

4.2.1. Produced water treatment

- (35) The Notifying Party submits that, irrespective of how the relevant product markets are defined for Produced Water De-oiling and Produced Sand Management, the relevant geographic markets are global but at least EEA-wide in scope. They argue that first the Parties and most of their competitors supply their technology worldwide, second there are no differences regarding technology used between different geographic areas and third local requirements regarding the materials used for the manufacturing of the equipment are met by most competitors.
- (36) The Commission has not dealt with produced water and sand management equipment in previous cases. However, in some areas of oilfield products and services the Commission found some indications that providers need to establish a local presence in order to compete effectively. The geographic reach of such a local presence may vary depending on whether the respective product or service is provided on- or offshore. In any case suppliers lacking a local presence may only provide a limited competitive constraint on providers that are physically present with facilities and/or personnel in a given geographic area. Significant differences in the distribution of market shares (e.g. worldwide vs EEA-wide) also suggest that the competitive conditions may not be homogenous across all geographic areas and that the relative strength of suppliers may vary from one area to another. Moreover, the Notifying Party acknowledges that often regulatory requirements are set by National or Regional Regulatory Agencies which have to be addressed by the suppliers.
- (37) The market investigation in the present case gave some indication that for produced water treatment the market can be EEA-wide rather than national in scope. The majority of respondents to the market investigation stated in many countries national environmental regulation is in place as regards the amount of oil in the water that is about to be discharged.¹⁶ However, even though regulation is national in scope, the legislative requirements within the EEA do not differ substantially and suppliers'

¹⁶ Non-confidential minutes of calls with competitors on 11 January 2016 and 15 January 2016 and with a customer on 12 January 2016.

equipment either is compliant with these requirements¹⁷ or can easily be adapted to meet these requirements¹⁸. Furthermore, the majority of respondents explained that a local presence of a supplier is usually not required by the customer. However, in some instances smaller local suppliers can have a competitive advantage over large international suppliers given their knowledge of the local market.¹⁹ Moreover, in some cases a local presence in the country of installation can be requested by the host country.²⁰ Finally, large customers responding to the market investigation stated that they procure PWT equipment on a worldwide basis and consider that suppliers are able to meet the different legal and customer specific requirement throughout the world.²¹

- (38) Based on the above the Commission considers that in the present case it can be left open whether the geographic markets are to be defined EEA-wide or narrower in scope as the Proposed Transaction does not raise competition concerns under any plausible geographic market definition.

4.2.2. *Chokes*

- (39) The Notifying Party submits that, irrespective of the precise scope of the product market, its geographic scope is likely to be worldwide and in any event not narrower than EEA-wide.
- (40) According to the Notifying Party, in fact, all major competitors are active on a global scale and the main technical requirement for drilling chokes is compliance with API 16C, which is an international standard.
- (41) The Commission has not dealt with the market for chokes as a whole in the past, however in the 2013 Decision the markets for subsea chokes and related products could be worldwide in scope.
- (42) The Commission considers that in the present case it can be left open whether the geographic market is to be defined EEA-wide or narrower in scope as the Proposed Transaction does not raise competition concerns under any plausible geographic market definition.

5. **COMPETITIVE ASSESSMENT**

5.1. **Horizontal overlaps**

5.1.1. *Produced water treatment*

- (43) As regards Produced Water De-oiling and Produced Sand Management the Notifying Party submits that it is not in a position to provide market shares either worldwide or EEA-wide. The principal reason, as they argue, is that the Parties do not have visibility into anywhere near all the tenders or bidding opportunities to come to a reliable base to estimate the market volume and thus market shares.

¹⁷ Non-confidential minutes of calls with competitors on 11 January 2016 as well as a customer on 12 January 2016.

¹⁸ Non-confidential minutes of a call with a competitor on 15 January 2016.

¹⁹ Non-confidential minutes of a call with a competitor on 12 January 2016.

²⁰ Non-confidential minutes of a call with a customer on 12 January 2016.

²¹ Non-confidential minutes of calls with customers on 12 January 2016 and 14 January 2016.

- (44) However, regardless of their exact market shares of the Parties, the Notifying Party submits that (1) they are hardly competing against each other in tenders, (2) a large number of competitors are active in the supply of equipment for Produced Water De-oiling and Produced Sand Management, many of whom have made sales to major customers inside and outside the EEA; (3) a variety of different technologies can be used for Produced Water Treatment processes and the Parties' activities overlap only in a few of them and (4) customers set specific requirements for each tendered project.
- (45) The competitive conditions on the markets for Produced Water De-oiling and Produced Sand Management are similar.²² Therefore, in the following they will be assessed in one and the same section.
- (46) First, as regards market shares, the market investigation gave indications that the Parties combined market share is low under any plausible market definition. According to a responding competitor, none of the currently existing suppliers on the markets has a market share that exceeds 5%²³ and the Parties' combined market share would be below 10%.
- (47) Second, based on the data provided by the Parties, as regards Produced Water De-oiling [...] and] Produced Sand Management projects, [...] the Parties are not close competitors on any of the markets.
- (48) Third, according to the Notifying Party's submission, as regards Produced Water De-oiling equipment, the Parties compete with at least 18 other suppliers, including large conglomerate companies such as Siemens, Sulzer, Veolia. Most of the suppliers offer a broad range of de-oiling equipment. As regards Produced Sand Management equipment, the Parties compete with at least 17 other suppliers, most of which, again, offer a variety of different equipment and solutions, including Siemens, Sulzer and Veolia. Most respondents to the market investigation confirmed that these companies are major suppliers on the markets, competing with Schlumberger and Cameron.²⁴ Moreover, all respondents to the market investigation stated that the markets are competitive²⁵ and a sufficient number of alternative suppliers to the Parties are present²⁶.
- (49) Fourth, according to data provided by the Notifying Party, while a number of different technologies are used for both Produced Water De-oiling and Produced Sand Management, the Parties' activities overlap only in seven of 15 different technologies listed by the Notifying Party (namely de-oiling hydrocyclones, compact flotation units, horizontal degassing vessels, wellhead de-sanding cyclones, production de-sanding cyclones, sand cleaning and sand transportation). This indicates that the Parties cannot be regarded as close competitors.
- (50) In respect to the competitive dynamics if the product market was to be segmented by technology, the Commission notes that on all the technologies where the Parties

22 Form CO, para. 500.

23 Non-confidential minutes of a call with a competitor on 11 January 2016.

24 Non-confidential minutes of calls with competitors 11 January 2016, 12 January 2016 and a customer on 12 January 2016.

25 Non-confidential minutes of calls with competitors and customers on 11, 12, 13, 14 and 15 January 2016.

26 Non-confidential minutes of a call with a competitor on 11 January 2016.

overlap they face competition from a significant number of market participants, always in excess of 10.

- (51) In light of the above and based on the results of the market investigation the Proposed Transaction does not raise competition concerns in relation to the markets for Produced Water De-oiling and Produced Sand Management and their possible segmentations.

5.1.2. *Chokes*

- (52) In relation to chokes, the Proposed Transaction only leads to a minimal market share increment mainly due to the sale of spare parts by Cameron to its manifolds customers.
- (53) In fact, whereas Schlumberger markets and sells drilling chokes as a stand-alone product, Cameron only provides drilling chokes as components in its manifolds. Cameron does not advertise or market drilling chokes to customers as a standalone product separately from its manifolds. On limited occasions, Cameron has sold drilling chokes to its existing manifolds customers as spare parts to the drilling manifolds that it has previously supplied to them. Only on [...] occasions, Cameron has in the past sold stand-alone drilling chokes to non-manifold customers, [all of them outside the EEA] and on the request of these customers.
- (54) On a market encompassing all drilling chokes, Schlumberger had a worldwide market share of [40-50]% for each of the last 3 years, whereas Cameron's share was of [0-5]% in 2012, [0-5]% in 2013 and [0-5]% in 2014. On an EEA wide basis, the Proposed Transaction would not generate an overlap [...].
- (55) In addition, Cameron's chokes can hardly be used on manifolds from other suppliers since those manifolds would need to be modified and adjusted to make them compatible with Cameron's chokes²⁷. Therefore, Cameron's chokes cannot be considered to be fully interchangeable with other chokes and could not be marketed on a stand-alone basis. As a result, the Commission considers that Cameron does not exert a significant competitive constraint on Schlumberger on the market for stand-alone drilling chokes.
- (56) The Notifying Party is unable to provide market share estimates for a plausible segmentation according to the style of drilling chokes, however Schlumberger estimates that at a worldwide level its share on the market for the sale of disc style chokes would be approximately [50-60]% and on the market for the sale of gate & seat style chokes would be approximately [0-5]%. Cameron's market share would be below marginal on a worldwide basis. [...] the Proposed Transaction would not generate any overlap.
- (57) Even if Cameron was to be considered a competitor on the market for the sale of stand-alone chokes, the Proposed Transaction will not raise competition concerns as (i) Cameron does not pose a significant competitive constraint to the marker and (ii) post transaction the merged entity would face competitive constraint from players such as Expro and CorTec, both having an estimated market share of around [20-30]%.

²⁷ Reply to question 3 of Questionnaire 4 – Parties.

(58) In light of the above the Proposed Transaction is unlikely to raise competition concerns in relation to the markets for chokes.

5.2. Vertical overlaps

(59) In its 2013 Decision the Commission analysed several vertical relationships between Cameron and / or Schlumberger on the one hand and OneSubsea on the other hand. Specifically, the Commission assessed vertical relationships between the markets provided in the table below (market shares are based on estimates provided by the Notifying Party for EEA-wide markets (averages for the years 2013 to 2015)).²⁸

No.	Upstream market ²⁹	Downstream market ³⁰
(1)	Subsea gate & ball valves; Cameron: [5-10]%	Subsea christmas trees OneSubsea: [30-40]% ³¹
(2)	Subsea chemical injector valves ("CIV"); Cameron: [30-40]%	Subsea christmas trees OneSubsea: [30-40]%
(3)	Subsea chokes; Cameron: [50-60]%	Subsea christmas trees OneSubsea: [30-40]%
(4)	Subsea chokes; Cameron: [50-60]%	Subsea manifolds; OneSubsea: [5-10]%

(60) While these vertical links in the 2013 Decision gave – and for the purpose of the Proposed Transaction give – rise to affected markets, the Commission concluded that OneSubsea and its parent companies will not have the ability and incentive to foreclose competitors from the market. The Commission argued that the vertical link was pre-existent (Subsea christmas trees were contributed to OneSubsea by Cameron), and the change from sole control (by Cameron) to joint control (by the Parties) would not change the ability and incentives to foreclose.

(61) The Notifying Party claims that market conditions in 2013 and 2015 are basically the same so that the Commission's conclusion holds true for the assessment of the Proposed Transaction. Furthermore they argue that Cameron and OneSubsea are already vertically integrated – Cameron jointly controls OneSubsea with Schlumberger – and a shift from joint to sole control would not change the merged entity's ability and incentive to foreclose.

²⁸ In addition in the 2013 Decision the Commission analysed vertical relations between a) subsea electrical connectors and subsea christmas trees, b) subsea booster pumps and SPS and c) subsea MPFWs and SPS. All of these products were post-merger supplied by OneSubsea so that no vertical relationships arise from the Proposed Transaction.

²⁹ See COMP/M.6854 for the exact product and geographic market definitions.

³⁰ See COMP/M.6854 for the exact product and geographic market definitions.

³¹ Estimated market share for 2015 is [30-40]% and thus exceeds the level of 30%.

- (62) The Commission agrees with these arguments and considers that the fact that, following the Proposed Transaction, Cameron will solely control OneSubsea would not change the assessment made in the 2013 Decision.
- (63) In any event, for the sake of completeness, the Commission has examined the vertical overlaps between Cameron and OneSubsea and considers that following the Proposed Transaction the merged entities will not have the ability and the incentives to engage in input or customer foreclosure.
- (64) Cameron is a supplier of subsea gate & ball valves, subsea chemical injector valves ("CIV") and subsea chokes (upstream markets), all of which can be considered as inputs for subsea christmas trees (downstream market) which – amongst others – are produced by OneSubsea (vertical links No. (1) to (3)). Furthermore, Cameron's subsea chokes (upstream market) are an input for subsea manifolds, which are produced by OneSubsea (downstream market; vertical link No. (4)).

Input foreclosure

- (65) As regards input foreclosure, the Commission considers that despite Cameron's substantial market shares on the upstream markets for subsea CIV ([30-40]%) and subsea chokes ([50-60]%), the merged entity will not have the ability to foreclose downstream competitors in the supply of subsea christmas trees and subsea manifolds of these input products.
- (66) First, on the upstream markets the merged entity competes with a number of suppliers from which downstream competitors can source. In the supply of subsea CIV, the Cameron's strongest competitors under any plausible market definition are SkoFlo ([30-40]%), Oceaneering ([20-30]%) and Hunting ([5-10]%). SkoFlo in 2013 even had a higher market share than Cameron. In the supply of subsea chokes, the Cameron's strongest competitors are Masterflo ([20-30]%), GE ([10-20]%) and FMC ([5-10]%).
- (67) Second, on the downstream market the merged entity faces competition from a number of suppliers of both, subsea christmas trees and subsea manifolds, some of which have significantly higher market shares than the merged entity. For subsea christmas trees, the strongest competitors under any plausible market definition are FMC ([20-30]%), Dril-Quip ([10-20]%), Aker Solutions ([10-20]%) and GE ([5-10]%). For subsea manifolds, the strongest competitors are FMC ([70-80]%) and Aker Solutions ([10-20]%). Given the strong market position of downstream competitors it is unlikely that the merged entity can foreclose them from access to an input product.
- (68) In light of the above the Commission considers that Proposed Transaction will not raise competition concerns in relation input foreclosure on the markets for subsea chokes and subsea CIV (upstream) and subsea christmas trees and subsea manifolds (downstream).

Customer foreclosure

- (69) As regards customer foreclosure, the Commission considers that despite the merged entity's market share in the supply of subsea christmas trees above 30%, it will not have the ability to foreclose upstream competitors from access to an important downstream customer.

- (70) First, as indicated above (paragraph 69), downstream the merged entity competes with several suppliers that have a significant market share, among other FMC ([20-30]%), Dril-Quip ([10-20]%), Aker Solutions ([10-20]%) and GE ([5-10]%). Moreover, the merged entity sourced subsea CIV and subsea chokes from upstream competitors only to a limited extent. It sources equipment [merged entity's sources of supply for subsea CIV and subsea chokes].³² Thus, the merged entity is not an important customer to upstream competitors and therefore cannot foreclose these competitors to access to an important customer.
- (71) Second, on the upstream markets for subsea CIV and subsea chokes the merged entity competes with a number of suppliers, two of which – FMC and GE – are vertically integrated and active on the downstream market for subsea christmas trees. Given that these competitors are not insignificant and two of them even vertically integrated and OneSubsea sourced subsea CIV and subsea chokes from these competitors only to a limited extent, it is unlikely that these competitors can be foreclosed from access to in important customer.
- (72) In light of the above, the Commission considers that the Proposed Transaction will not raise competition concerns in relation to customer foreclosure on the markets for subsea christmas trees and subsea manifolds (downstream markets) and subsea gate & ball valves, subsea chemical injection valves and subsea chokes (upstream markets).

6. CONCLUSION

- (73) 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

³² Notifying Party's response to question 2 of RFI 04 of 21 January 2016.