



EUROPEAN COMMISSION
DG Competition

*Case M.8207 -
EMERSON
ELECTRIC /
PENTAIR (VALVES
AND CONTROLS
BUSINESS)*

Only the English text is available and authentic.

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

Article 6(1)(b) NON-OPPOSITION
Date: 07/02/2017

*In electronic form on the EUR-Lex website under
document number 32017M8207*



EUROPEAN COMMISSION

Brussels, 7.2.2017
C(2017) 811 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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:

**Subject: Case M.8207 - Emerson / Pentair (Valves and controls business)
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**

Dear Sir or Madam,

- (1) On 3 January 2017, the European Commission received notification of a proposed concentration ('The Transaction') pursuant to Article 4 of the Merger Regulation by which the undertaking Emerson Electric Company ("Emerson", USA) acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the valves and controls business of Pentair plc ("Pentair", UK) by way of purchase of shares.³ (Emerson and Pentair are designated hereinafter as the "Parties" and Emerson as the "Notifying Party".)

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 9, 12.1.2017, p.41

1. THE PARTIES

- (1) Emerson is a global technology and engineering company supplying products for Process Management, Industrial Automation, Network Power, Climate Technologies and Commercial & Residential solutions businesses. Emerson is a manufacturer of valves, controls and instrumentation and automation products in a broad range of industrial sectors.
- (2) Pentair designs, manufactures, distributes and services valves, actuators and instrumentation and automation products in industrial and energy projects worldwide.

2. THE CONCENTRATION

- (3) Pursuant to an agreement entered into between Emerson and Pentair on 18 August 2016, the concentration consists of the acquisition of sole control by Emerson of the valves and controls business of Pentair.
- (4) Therefore, the Transaction is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

- (5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million⁴ (Emerson: EUR 19 426 million, Pentair: EUR 1 658 million). Each of them has an EU-wide turnover in excess of EUR 250 million (Emerson: EUR [...] million, Pentair: 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.

4. COMPETITIVE ASSESSMENT

- (6) The Parties' activities horizontally overlap in the manufacture, sale and servicing of valves, actuators and valve instrumentation. The Commission has never assessed in detail the markets for valves, actuators and valves instrumentation as it focused in previous cases on industrial control process equipment, which included valves but also central control units, process control field and measurement instruments.

4.1. Product markets

4.1.1. Valves

- (7) Valves are devices that control the passage of a fluid, gas or other material through a pipe or duct.

⁴ Turnover calculated in accordance with Article 5 of the Merger Regulation.

- (8) Valves come in several forms and types. Typically, industry reports differentiate valves according to their shape (e.g. gate valves, ball valves, plug valves, butterfly valves, check valves, diaphragm valves and others), their function (on/off valves, safety valves, control valves, pressure reducing valves, control valves), their size or the mode of operation (for emergency shut- down, manual or actuated) and also consider their end use in various industries. Valves are widely used in the oil and gas sector, from exploration, distribution, to oil refining, in the chemical processing industries, power generation, water processing and in many settings in general industries.
- (9) The Notifying Party suggests classifying valves into isolation valves and control valves as they argue that there is no demand side substitutability between isolation and control valves.
- (10) Control valves are valves used to control conditions such as flow, pressure, temperature and liquid level by fully or partially opening or closing in response to signals received from controllers that compare a “set point” to a “process variable” whose value is provided by sensors that monitor changes in such conditions. For example, control valves in a gas pipeline are typically used to regulate pressure and keep it within a predetermined range. Control valves are provided as a single branded package, incorporating valve, actuators (see below) and controls. Control valves are often based on a standard valve type or design which is frequently configured to order for the customer.
- (11) Isolation valves are also referred to as “on-off” valves. They stop or start the flow of a medium but, in contrast to control valves, are not able to control flow by partially opening or closing. Isolation valves can be standard, configured or extensively engineered to order for a specific application. They require a device to turn the valve from an open to a closed position.
- (12) The Notifying Party considers that no further segmentation of control valves or isolation valves would be justified; the different types of control valves are largely substitutable, as are the various types of isolation valves. A triple offset valve for instance – which is a type of control or isolation valve – can be replaced by a ball valve or gate valve to perform the same function.
- (13) According to the Notifying Party, a segmentation according to end use or industries is not relevant either as the same types are frequently used across sectors; the type of industry being less of a factor than the requirements of the specific project. This being said, the Notifying Party acknowledges that there are certain exceptions, where highly specific valves are employed for particular purposes. For example turbine bypass valves which are a highly engineered type of specialised control valve used in severe conditions cannot be substituted with other types of control valves due to size, material, customisation and performance expectation. None of the Parties supply turbine bypass valves in the EEA.
- (14) Therefore, the Notifying Party suggests identifying a relevant product market for all isolation valves and a relevant product market for all control valves, irrespective of end use given the potential for demand-side substitution.

- (15) Customers and competitors in the market investigation clearly confirmed that isolation valves and control valves constituted two separate product groups⁵, as their functionality and design were different. It was noted that in theory certain designs in control valves were suitable to be deployed as isolation valves, however, this was not common practice. Most isolation valves (ball valves, plug valves, gate valves and stop check valves) were simply impossible to be replaced by any type of control valve. Similarly, the physical design of most isolation valves makes them unsuitable to replace control valves.
- (16) However, the market investigation did not confirm the Parties' assertion that there was a wide substitutability between the different types of valves within the broader categories of control and isolation valves respectively.⁶ Respondents were of the view that each valve design had its specificity, making it suitable for a certain purpose or application, while it was acknowledged that some types were more substitutable than others. The overwhelming majority of respondents ultimately agreed that the valves needed to be adapted to the application, according to the specifications of the project.
- (17) From a supply side perspective, however, the substitution is by far greater. Although not all valve manufacturers produce all types of valves, in general, all do manufacture a large variety of valves and every type of valve has a variety of suppliers.⁷ The market investigation has shown that there are a significant number of suppliers able to provide different designs of valves suitable for various applications.⁸
- (18) In the light of the above, the competitive assessment will be carried out on the basis of a distinction between control valves and isolation valves.

4.1.2. Actuators

- (19) Actuators are devices used to move and control a valve in response to a control signal. The control signal may be supplied by a simple electronic system, a more sophisticated software-based operating system or manually. An actuator requires a control signal and a source of energy which generate motion which then moves the valve. While control valves are always sold with actuation, isolation valves are sold with or without actuator and the actuators for the isolation valves can be purchased separately. The Notifying Party estimates that only 30%-35% of isolation valves require an actuator and argues that actuators are designed to work

⁵ See replies to question 5 of Q2 Questionnaire to customers and replies to question 6 to Q1 Questionnaire to competitors.

⁶ See replies to questions 6 and 7 of Q2 Questionnaire to customers and replies to questions 9 and 10 to Q1 Questionnaire to competitors.

⁷ See replies to question 7 of Q2 Questionnaire to customers and replies to question 11 to Q1 Questionnaire to competitors.

⁸ See replies to questions 21 and 22 of Q2 Questionnaire to customers.

with all isolation valves, regardless of manufacturer.

- (20) Actuators can be further differentiated according to their operations: (i) electric actuators use electricity as the power source to provide a stem force output for a variety of process applications; (ii) pneumatic actuators are usually air operated and provide high stem force output for demanding service conditions; and (iii) hydraulic actuators use hydraulic fluid pressure to facilitate mechanical operation. Hydraulic cylinders provide more torque in less physical space when compared with pneumatic actuators, but they are also 1.5 to 4 times more expensive than pneumatic actuators, which latter are typically also larger. Determining whether to use a hydraulic or pneumatic actuator therefore involves balancing cost against space restrictions.
- (21) The Notifying Party considers that hydraulic and pneumatic actuators are substitutable as they use a similar mechanism with the only difference that the motion generator is either air or fluid. By contrast electric actuators are operated using a motor, they have a slower function and are in general twice as expensive as pneumatic actuators. The Notifying Party has therefore provided shares with a distinction between electric actuators on the one hand, pneumatic/hydraulic actuators on the other hand.
- (22) As regards the Notifying Party's assertion that all actuators could work with all valves, most of the respondents to the investigation⁹ agreed that technically this was feasible. Customers, either end customers or EPC contractors¹⁰, tend to purchase the actuated valve from the valve manufacturer, which undertakes the integration with its own actuator or a purchased one from different brands.
- (23) The Notifying Party argues that there is a high level of substitutability between actuators and similarly to valves, a segmentation according to end use or industries is not relevant either as the same types are frequently used across sectors. In response to a specific request from the Commission, following feedback from the market investigation, Emerson however provided market shares for pneumatic actuators in the oil and gas and the chemicals industries.¹¹
- (24) It is however not necessary to conclude on the exact scope of the product market as regards actuators as the Transaction does not raise serious doubts under any alternative market definition.

4.1.3. *Valve instrumentation*

- (25) Valve instrumentation includes devices mounted on the valve actuator used to signal the actuator to operate or to monitor the position of the valve or other

⁹ See replies to question 11 of Q2 Questionnaire to customers.

¹⁰ Engineering, Procurement and Construction ("EPC") contractors manage procurement, engineering, project execution, integration, start-up and commissioning for large projects.

¹¹ Response to European Commission questions of 21 January 2017.

parameters (e.g. temperature, pressure). They are generally designed to support all types of valves and actuators, regardless of manufacturer.

- (26) Valve instrumentation products include: (i) Positioners are used to move valves to the specific desired intermediate position in order to control a parameter of the process; (ii) Digital valve controllers (“DVCs”), a substitute for positioners, use microprocessors rather than conventional and electro-pneumatic technology commonly associated with positioners; (iii) Field instrumentation are devices that are used to provide monitoring and control for valves; transducers, controllers, volume boosters, solenoids and switches (including switchboxes) are all types of field instrumentation that are used to monitor and control flow, temperature, pressure and level variables in the process industry; (iv) Tank Protection Products, including emergency vents and flamer arresters, protect storage tanks from flames from low-flash-point liquids and flammable gases. The target’s product portfolio includes conservation vents, flame arresters and pilot-operated relief valves.
- (27) Despite this variety of products, the Notifying Party considers that it is not appropriate to further segment the market for valve instruments as the different categories of instruments provide the same end-function (allowing a valve to be controlled and monitored).
- (28) The market investigation pointed out that within field instrumentation most products were not substitutable from a demand side point of view as such. However, from a supply side perspective, instrumentation manufacturers supplied a wide range of devices and instrumentation was widely used by customers to describe the same wide range of products. The narrowest potential product markets that could be considered, where both Parties are active as was pointed out in the market investigation, are solenoids and switchboxes.¹²
- (29) It is however not necessary to conclude on the exact scope of the product market(s) as regards valve instrumentation as the Transaction does not raise serious doubts under any alternative market definition.

4.2. Geographic market

- (30) The Notifying Party submits that the market for valves, actuators and instrumentation is global but at least EEA-wide. The Parties and their competitors have manufacturing locations and sales worldwide. Basic functionality, design, technical skills, marketing content and competitors' presence do not vary by world regions according to the Notifying Party.
- (31) In a previous case¹³ dealing with process control instruments, which includes also valves and controls, the geographic markets were considered Europe-wide as the market investigation concluded that national boundaries within Europe did not

¹² See replies to question 24 of Q2 Questionnaire to customers.

¹³ See e.g. Case IV/M.1380, *Siebe/BTR*.

influence either supply or purchasing activities.

- (32) In the present case, the Commission considers that the markets for valves, actuators and valves instrumentation are EEA-wide in scope. The following elements are relevant in that regard.
- (33) First, in Europe, valves, actuators and valves instrumentation have to comply with the specific requirements of the Pressure Equipment Directive 2014/68/EU which sets standards for the design and development of pressure equipment, including safety valves and other components subject to pressure loading. As explained by one large customer *"Even though suppliers may be the same globally the certifications that each must meet may vary depending on a particular region"*.¹⁴ Another customer mentioned that *"EEA companies specifications and norms are different from the ones on other parts of the worlds. There are a few companies that supply worldwide, but there are lots of smaller companies living thanks to these specific demands"*. Yet another customer preferred purchasing product originating in the EEA for the reason *"We do not want to have the responsibility of the conformity check with EEA norms."*
- (34) Second, although customers active globally reported that they purchased valves, actuators and instrumentation from vendors located globally and that their AMLs (Authorized Manufacturer List) were in general global,¹⁵ respondents located only in the EEA preferred purchasing in the EEA. The main reason would be the need for local presence of the vendor close to the site in case of emergency, need for maintenance and quick access to spare parts. Also global companies noted that their preference was a global supplier that has a local presence at the highest number of service locations. Even for those customers which do not specifically require proximity of service support, local service organization is an appreciated advantage.
- (35) Finally, even if major manufacturers offered their products globally, respondents noted that there were also many that were active regionally only and competed with the international ones. Customers also pointed out that even the global competitors were not equally present in all parts of the world.¹⁶ For example, a European valve supplier named Samson is not yet active in North America.
- (36) Therefore, for the purposes of the present decision the geographic market for valves, actuators and instrumentation are considered to be EEA-wide in scope.

¹⁴ See replies to question 17 of Q2 - Questionnaire to customers.

¹⁵ See replies to questions 14 and 15 of Q2 - Questionnaire to customers.

¹⁶ See replies to question 16 of Q2 - Questionnaire to customers.

4.3. Competitive assessment

4.3.1. Valves

- (37) The Notifying Party submits that the Parties' activities are complementary as concerns isolation and control valves. Emerson is present in control valves ([5-10]% in the EEA)¹⁷ but the increment brought by Pentair is negligible (less than [0-5]%). In isolation valves, Pentair is more present ([5-10]% EEA market share) but the increment brought by Emerson is also negligible ([0-5]%).
- (38) For isolation valves, the Parties note the presence of Cameron¹⁸, Flowserve, Crane and Valvitalia, all between [5-10] and [10-20]% market shares globally and in the EEA. Control valves are manufactured by competitors GE, Flowserve, Samson and IMI (with [5-10]-[20-30]% share globally in the EEA.).
- (39) The Notifying Party submits in addition that the valves and controls markets are highly fragmented, consisting of a large number of local, regional and global competitors, for nearly [...]% of the market the competitors cannot be identified.
- (40) The market investigation also confirmed the fragmented structure of the market and the presence of a large number of global, regional and also local players.¹⁹
- (41) In light of the above the Transaction does not raise serious doubts as regards the horizontal overlap of the Parties' activities in the sale of isolation and control valves in the EEA.

4.3.2. Actuators

- (42) The Notifying Party submits that combined market shares in actuators would remain below [20-30]%, even if actuators are further broken down to differentiate between electric and pneumatic and hydraulic types.
- (43) The Notifying Party submits that their position in electric actuators is minimal ([0-5]% combined share). In pneumatic and hydraulic actuators, the Parties would have a share of [10-20]% at EEA level next to competitors such as Rotork ([10-20]%), Cameron ([0-5]%) and Flowserve ([0-5]%).
- (44) Considering a sub-segmentation of actuators per sector, the oil and gas sector in particular, where market participants attributed a stronger role to the Parties, the

¹⁷ For the estimation of the market shares, the Notifying Party relied on its own intelligence and on the Report European Industrial Forecasting Ltd, *'The World Valve & Actuator Market 2015-2020'*, which contains the total market sizes per country per product type. There are no publicly available reports that analyse the market participants' positions and market shares.

¹⁸ Since April 2016, Cameron is part of the Schlumberger Group, which achieved USD 35.5 billion in revenues in 2015 and is specialised on providing technology, integrated project management and information solutions to customers in the oil and gas industry worldwide.

¹⁹ See replies to questions 16 and 33 of Q2 - Questionnaire to customers.

Parties claim that their combined market shares amount to [20-30]% in the EEA. For chemical applications, another alleged stronghold of the Parties, they estimate their EEA shares to be below [20-30]%.

- (45) Furthermore, the Notifying Party adds that customers for valves and controls, such as EPC contractors, OEMs, oils and gas companies and distributors, are large and exercise their buying power through competitive bidding procedures conducted project by project. Their AMLs contain a number of alternative suppliers for each component, which they evaluate on a yearly basis.
- (46) The market investigation revealed that the Parties' brands have been established and acknowledged brands on the markets for several decades and the merger combines two historically very strong product lines in actuation, Bettis (Emerson) and Biffi and Morin (Pentair valves).
- (47) The overwhelming majority of respondents to the market investigation did not raise concerns as regards actuators. However, some market participants, who were all customers and competitors of the Parties at the same time, indicated that the strong brand image and the perceived reliability of the Parties' products make them almost the exclusive choices for some safety critical or high-end heavy duty applications. They explain that the Parties are clear market leaders in actuators, especially in the specific type of scotch yoke actuators²⁰ for oil and gas applications, where the number of competitors is more limited, estimating the Parties' combined market shares at 50-75% globally²¹.
- (48) Despite these claims, the results of the market investigation confirmed the presence of a number of alternative suppliers for all categories of pneumatic and hydraulic actuators, especially so in the EEA, such as Samson, IMI, ATC-actuators, Airtorque, Paladon, DVG, ABB, Petras, Pepperl+Fuchs, Camtorc and Eckart, which are all EEA- or Swiss-based suppliers. In general customers did not establish a clear ranking but noted these alternative suppliers among the four largest competitors of either Emerson or Pentair or both. While Emerson and Pentair were noted among each other's largest competitors, Rotork and Flowserve appeared with at least the same frequency.
- (49) As concerns scotch yoke actuators in particular, some respondents noted in the market investigation that this was an area of overlap between the Parties where both had significant presence.²² However, the market investigation did not confirm the elevated market shares in the EEA as alleged by the customers who raised some concerns on a global market. Among the four largest competitors of the Parties for scotch yoke actuators, respondents identified a smaller number of but still several alternative suppliers were, such as Rotork, Flowserve, Airtorque,

²⁰ Scotch yoke actuators are a specific design of pneumatic or hydraulic actuators, predominantly used in the oil and gas industries. Both Parties offer them on the market.

²¹ No EEA shares were submitted.

²² See replies to question 24 of Q2 - Questionnaire to customers.

and Paladon, also capable of delivering actuators for heavy duty applications, acting as competitive constraint to the Parties.

- (50) In light of the above, the Transaction does not raise serious doubts as regards the horizontal overlap of the Parties' activities in the sale of actuators in the EEA.

4.3.3. Instrumentation

- (51) As concerns a potential instrumentation market encompassing all instrumentation products, the Notifying Party estimates that their combined market shares would be [10-20]% at EEA level, Rotork ([20-30]%) and Samson ([10-20]%) being stronger than the Parties in the EEA.
- (52) Narrowing down the market to switchboxes, the Parties combine two strong product lines, TopWorx (Emerson) and Westlock (Pentair). Internal documents of Emerson estimate that these two products combined have a [40-50]% share of the instrumentation market in Europe.²³ The Notifying Party argues that this internal document significantly overstates the market presence of Pentair's Westlock brand, as these estimates were made before the due diligence and the total market size was lower than the actual. Nevertheless, some of the market participants held that the combined shares would be rather between 50% and 75% globally²⁴.
- (53) Ultimately, the Notifying Party acknowledges that on the narrower product market, encompassing switchboxes for oil and gas applications, their combined market share would be [50-60]% globally and somewhat less, [40-50]% in the EEA, while stressing that the relevant product market should be considered to include all instrumentation products.
- (54) Respondents to the market investigation did not only mention the Parties as strongest competitors in switchboxes but confirmed the presence of numerous suppliers among the Parties' four strongest competitors such as Siemens, Flowserve, Stonel, IFM, Crouse Hinds, ABB, Armstrong, Rotork, Pepperl&Fuchs, Moniteur, Dieckers Prometheus, Paladon and others. The vast majority of customers of switchboxes did not raise concerns about the impact of the Transaction in the light of the presence of those alternative suppliers.
- (55) Narrowing down the market to solenoid valves, some customers indicated that the Parties may have an especially strong position as in switchboxes. ASCO, an Emerson company is the original inventor of these valves. However, respondents to the market investigation did not mention the Parties in the first place as strongest competitors but a large number of alternatives, which they considered to compete in the top four. These were Norgren, Versa, Parker Lucifer/Hannifin, Siemens, Flowserve, ABB, Paladon Pepperl&Fuchs, Samson, Festo, and more.
- (56) In light of the above, the Transaction does not raise serious doubts as regards the

²³ Internal document of Emerson: TopWorx site visit, 25 August, 2016, slide 38.

²⁴ No EEA shares were submitted.

horizontal overlap of the Parties' activities in the sale of instrumentation products in the EEA.

4.3.4. *Input foreclosure*

- (57) Some valve competitors expressed concerns about potential input foreclosure by the Parties as regards actuation and instrumentation products. Some of the customers do not manufacture actuation and instrumentation products and therefore rely completely on purchasing them on the market. Some do manufacture such products, but explained that the final customer sometimes specifies the actuator or instrumentation brand it requests and often it is the Parties' products. In the latter case, the Parties' products form an essential input of the downstream product which represents a non-negligible portion²⁵ of the total cost of an actuated valve.
- (58) In order to provide the actuated valve package, some valve manufacturers thus need to purchase actuation and instrumentation products from the Parties, while potentially competing with the Parties on the final product for the same customer at the same time. After the Transaction, where Emerson will integrate the isolation valve business of Pentair (mainly the popular butterfly valves) and where the merged entity will allegedly have high combined market shares in actuators and instrumentation products, a small number of customers fear that the Parties may have the ability and the incentive to restrict access or deteriorate the conditions of access to their actuator and instrumentation products in order to gain competitive advantage on the final product, the actuated valve package, bidding for the same projects. They add that the foreclosure is facilitated by the Parties requiring the valve manufacturer to disclose the identity and location of the final customer beforehand.
- (59) The Commission has analysed these claims and found that the Transaction is unlikely to lead to any input foreclosure effect, neither for actuators nor for switchboxes.
- (60) First, combined market shares for actuators in the EEA, even if narrowed down to the oil and gas and chemical industries, appear to be far lower in the EEA than the shares alleged by the complainants and do not allow the Parties to exercise a significant degree of market power on the actuator market. As regards switchboxes in the EEA, although these shares, as also acknowledged by the Parties, are higher, especially for the oil and gas and the chemicals industries, as explained in recital 53, a large number of competitors have been identified as credible alternatives.
- (61) Second, Emerson's actuators sales are made to [...] % with distributors and not valve OEMs or final customers. This figure for switchboxes is [...] %. When sales are made to distributors, the Parties do not know with which third party valves their components will be combined.

²⁵ [...] % in oil and gas while up to [...] % in chemical.

- (62) Third, the Parties have carried out an analysis of the AMLs from [...] Emerson and [...] Pentair customers, which were filtered for the oil and gas and chemical sectors and for actuators and switchboxes. The filtering resulted in [...] AMLs for actuators in the oil and gas industry and [...] AMLs for actuators in the chemicals industry. According to the Parties, it results from the analysis of customers' AMLs that the Parties are hardly ever the sole accepted suppliers for actuators and most AMLs contain many alternative manufacturers, both for actuators and switchboxes.
- (a) For pneumatic actuators in the oil and gas industry, [...]% of the global customers have 3 or more suppliers and [...]% have 5 or more suppliers on their AMLs. In the chemical industry [...]% of the global customers have 3 or more and [...]% have over 5 suppliers. Narrowing down the scope to EEA projects only, [...] alternative pneumatic actuator suppliers figure on the collected AMLs in total for the oil and gas industry and [...] for the chemical industry. [...] of the AMLs for EEA projects have less than 3 suppliers and [...] of the AMLs where both Parties are listed contain only the Parties' names.
- (b) As regards switchboxes, the analysis was carried out on [...] AMLs of global customers for switchboxes for the oil and gas industry and [...] AMLs for switchboxes for the chemicals industry. The AMLs for switchboxes show less competition than for actuators: [...]% of AMLs contain less than 3 suppliers for switchboxes. In the oil and gas industry, [...]% of the AMLs list only Emerson and Pentair. At the same time, in [...]% of the AMLs in the oil and gas industry and [...]% of the AMLs in the chemical industry only one of the Parties or none of them figured. Overall, [...] and [...] different suppliers figured on the AMLs in total in the oil and gas and in the chemical industry respectively. In the EEA, although the total number of listed competitors is less, [...] and [...] only in the oil and gas and in the chemical industry respectively, only [...] of the AMLs include the Parties only.
- (63) In light of the above, the Transaction does not raise serious doubts as regards the vertical overlap of the Parties' activities in the sale of valves, actuators and instrumentation in the EEA.

4.3.5. *Single vendor packages*

- (64) The Parties' internal documents and customer feedback suggest furthermore that there is a growing demand for complete automated valve packages from a single vendor in order to enhance interoperability, servicing and availability of spare parts and accountability as concerns the safety and integrated functioning of the various components.²⁶ From this perspective the number of competitors that are able to provide such a service would be more limited and the merger would

²⁶ See replies to question 8 of Q2 - Questionnaire to customers.

eliminate one of these alternatives.²⁷ This view is also supported by some of the Parties' internal documents which analyse the competitive landscape by segmenting competitors according to their capabilities into pure valve and actuators companies, multicomponent providers, aftermarket service providers, solution providers and automation providers.

- (65) The Notifying Party argues that such automated valve packages are also offered on the market by a variety of alternative firms, which are not manufacturing but only integrating the necessary components themselves as the automated valve package does not need to contain components of the same brand. Such firms can be third party distributors or service centres (e.g. MRC Global, Sunbelt, ERIKS, Valve Team Europe, Distribution NOW, Score or TEAM). Furthermore, these firms can be the EPC contractors (Technip, Aker, Fluor, Wheeler, Bechtel or Foster) and other valve or actuator manufacturers that purchase third party instruments for integration. The Notifying Party considers that these firms should all be considered as the Parties' competitors in engineering automated valve packages.
- (66) As concerns a further level of integration where the valves are integrated into a software controlled process management system, the Notifying Party submits that only Emerson is active on this market and numerous large competitors develop such core automation systems, such as Honeywell, General Electric, ABB, Schneider, Yokogawa, Cameron or Metso.
- (67) Respondents to the market investigation clearly identified both Emerson and Pentair as major competitors for automated valve packages.²⁸ According to these customers, they are close competitors on this market and were mentioned on first rank. However, other suppliers, such as Metso, SRI, Flowserve, Samson, Petrovalves, Somas, Valvitalia, Masoneilan, Sunbelt, MRC, Darko and Argus were also listed as credible competitors on this potential market.
- (68) In addition, customers were split as to their purchasing strategies, whether they preferred the integrated packages or the procurement of separate components, and noted various advantages and disadvantages for both, from which it can be concluded that sourcing separate components separately clearly constitutes an alternative to integrated packages.
- (69) The vast majority of respondents to the market investigation did not raise any concerns related to the potential impact of the Transaction as regards the provision of single vendor packages.
- (70) In light of the above, the Transaction does not raise serious doubts as regards the provision of single vendor packages in the EEA.

²⁷ See replies to question 27 of Q2 - Questionnaire to customers.

²⁸ See replies to questions 21 and 22 of Q2 - Questionnaire to customers.

5. CONCLUSION

- (71) 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