EUROPEAN COMMISSION

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**PUBLIC VERSION**

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

**To the notifying party**

**Subject:** **Case M.9560 – Gränges/Impexmetal**
**Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]**

Dear Sir or Madam,

(1) On 19 August 2020**,** the European Commission (the 'Commission') received notification of a concentration pursuant to Article 4 of the Merger Regulation which would result from a proposed transaction by which Gränges AB (publ) ('Gränges' , Sweden) intends to acquire control within the meaning of Article 3(1)(b) over the whole of Impexmetal S.A. ('Impexmetal' or the 'Target', Poland), by way of purchase of shares ('the Transaction').[3] Gränges is referred to hereinafter as the 'Notifying Party' and together with Impexmetal as 'the Parties'. The undertaking that would result from the Transaction is referred to as the 'merged entity'.

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 286, 31.8.2020, p. 2.

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## 1. THE PARTIES

(2) Gränges manufactures and supplies aluminium flat rolled products ('FRPs') for customers in the automotive industry, the heating, ventilation and air conditioning ('HVAC') industry and niche sectors such as transformers and food packaging.

(3) Impexmetal manufactures and supplies aluminium FRPs for the automotive industry, closure manufacturers, and companies within electronics.

(4) Impexmetal is active in aluminium FRPs operations through its division Aluminium Konin. Apart from aluminium, the Target is active within copper, brass, lead and zinc. However, a disposal of these other activities will take place prior to the closing of the Transaction so that only the Aluminium Konin business will remain in the Target when the transaction is closed.

## 2. THE CONCENTRATION

(5) Pursuant to a share purchase agreement dated 27 November 2019, Gränges will acquire sole control over Impexmetal (only containing the Aluminium Konin business) by purchasing all the shares in the Target.

(6) It follows that the Transaction would result in a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## 3. UNION DIMENSION

(7) The Transaction does not have an Union dimension within the meaning of Article 1 of the Merger Regulation because the combined aggregate worldwide turnover of Gränges and Impexmetal is not more than EUR 2 500 million.

(8) However, on 13 December 2019, Gränges submitted a request for a referral to the Commission pursuant to Article 4(5) of the Merger Regulation (the 'Form RS'). The request fulfilled the two conditions set out in Article 4(5) of the Merger Regulation in that (i) it referred to a concentration within the meaning of Article 3 of the Merger Regulation that (ii) it had to be notified in at least three Member States. In addition, the Transaction fulfilled a number of further criteria set out in the Commission's Notice on Case Referral.[4] In this regard, since the case extended over territories reaching beyond national boundaries, the markets involved were larger than national, the case required investigative efforts in several countries as well as appropriate enforcement powers, the Commission concluded it was in the best position to review the Transaction.

(9) The Form RS was transmitted to all EU Member States and none of them expressed their disagreement to the referral. The Transaction is therefore deemed to have a Union dimension.

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4 Commission Notice on Case Referral in respect of concentrations ('Commission's Notice on Case Referral'), OJ C 56, 05.03.2005, p. 2-23.

## 4. INTRODUCTION TO ALUMINIUM FLAT-ROLLED PRODUCTS

(10) The Transaction brings together Gränges' and Impexmetal's manufacture and supply of aluminium FRPs. For the purpose of the merger control assessment of the Transaction, this section introduces the Commission's understanding of the basic characteristics of aluminium FRPs.

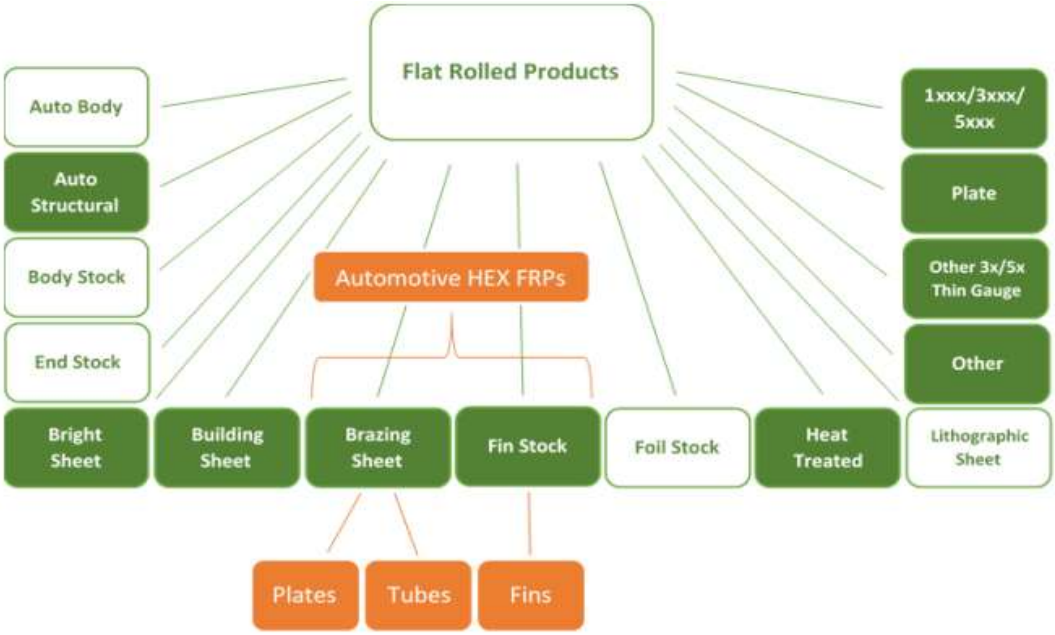
### 4.1. Different types of aluminium FRPs – Automotive HEX materials

(11) Aluminium FRPs are a group of semi-finished flat aluminium products that are produced in hot and cold rolling mills. FRPs are produced from aluminium sheet ingots, sometimes referred to as rolling ingots or slabs, which are either produced from primary aluminium or from scrap (secondary aluminium).[5] Cold rolling mills are used where flat products need to be rolled thinner.[6]

(12) Aluminium FRPs comprise over 15 categories of products, some of which correspond to a specific end application, whereas some others are multi-purpose products. In general, rolling mills may be configured in such a way as to produce various types of FRPs depending on the final application (the so-called 'product mix').[7]

(13) CRU,[8] a provider of analysis, prices and consulting in the mining and metals market, has divided Aluminium FRPs into the various segments shown in Figure 1 below.

**Figure 1. Segments within aluminium FRPs**




*Source: Notifying Party's Response to Pre-Notification RFI 4, question 2*

5 Commission decision of 29 September 2003, ALCAN/PECHINEY (II) (M.3225), paragraph 54.

6 See Form CO, paragraph 164 and minutes of a call with a competitor of 20 March 2020, paragraph 11.

7 The categories of FRPs that mills can produce include common material alloy (1xxx, 3xxx, 5xxx), paint stock & sheet, foil stock and foil, beverage can body stock, beverage can end stock, food can stock, bright sheet, brazing sheet, plate and shate, lithographic sheet, fin stock, other thin gauge (3xxx and 5xxx), automotive sheet and heat treat. See Commission decision of 29 September 2003, ALCAN/PECHINEY (II) (M.3225), paragraph 55.

8 For more information on CRU, see https://www.crugroup.com/.

(14) Standard aluminium FRPs ('Standard FRPs') are a category within aluminium FRPs. This category, as will be discussed in the product market definition in Section 5 below, consists of all FRPs that do not constitute distinct product markets within the field of aluminium FRPs.[9]

(15) Aluminium FRPs for automotive heat exchangers ('Automotive HEX') are a category within aluminium FRPs. This category is marked in orange in Figure 1 above. Automotive HEX materials can be divided into three categories which vary in shape and thickness: material for plates, tubes and fins.[10] These categories are comprised within two segments: brazing sheet and finstock:

(16) Brazing sheet segment: is comprised of material for plates and tubes.

- Material for plates: Usually has a thickness of more than 0.4mm. Material for plates serves for producing plates. Plates consist of a core alloy clad with braze clad on one or two sides. The rolled product is stamped or shaped by the customer, depending on the application. Plates are used in many kind of HEX applications, either for coolant plates or manifolds.[11]

- Material for tubes: Usually has a thickness of between 0.2 mm to 0.4 mm. Material for tubes serves for producing tubes. Tubes can be used for both welded and folded tube designs.[12]

(17) Finstock: is comprised of material for fins (both clad and unclad, as will be explained in paragraph (19) below).

- Material for fins: Usually has a thickness of less than 0.2 mm. Material for fins serves for producing fins. Fins are used for applications such as radiators, heaters, charge air coolers and evaporators. For heat exchangers, the fins' function is to improve cooling performance. They also create structural integrity and work as a sacrificial part to prevent corrosion of the aluminium tubes (by directing the corrosion away from the tube material and absorbing the corrosion).[13]

(18) Automotive HEX materials for fins can be either clad or unclad. Clad products consist of a core alloy with clad layers on one or two sides. Cladding consists of scalping a slab to remove an oxide layer, pre-heating and hot rolling into a long plate which is cut into smaller plates. These plates are then put on top and bottom of another so-called core slab to form a package of different alloys.[14]

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9 Commission decision of 29 September 2003, ALCAN/PECHINEY (II) (M.3225), paragraph 61.

10 See Form CO, paragraph 38.

11 See Form CO, paragraphs 108 and 267.

12 See Form CO, paragraphs 108 and 267. Please note that, while tubes can be clad or unclad, unclad tubes are made by a process of extrusion and are not FRPs. The Commission has previously considered that FRPs and extrusions belong to two different product markets (see Commission decision of 2 October 2007, RIO TINTO/ALCAN (M.4827), paragraph 33). Therefore, for the purposes of this Decision, if not explained otherwise the Commission refers to clad tubes when mentioning tubes.

13 See Form CO, paragraphs 108, 267 and 285.

14 See Form CO, paragraph 161 and minutes of a call with a competitor of 20 March 2020, paragraph 4.

(19) Both unclad and clad fins have the same function in HEX, i.e. to improve cooling performance.[15] Unclad fins are made of a single layer of alloy. Clad fins are made of clad material similar to brazing sheet, consisting of multiple layers.[16] Clad fins are predominantly used in an application called a condenser, a part of the air-conditioning loop in a vehicle which makes it possible to cool the cabin. The condenser typically has two different designs. One design uses clad fins and unclad tubes and the other design uses unclad fins and clad tubes.[17] However, other designs could be possible, for example, water-cooled condensers. This concept would be a stack disc cooler where the refrigerant is cooled by means of a coolant. In the condenser, the refrigerant in the tubes is cooled with air from the outside by the airstream.[18]

### 4.2. The production process of standard aluminium FRPs and Automotive HEX materials

(20) The Automotive HEX materials are delivered to the producers of automotive heat exchangers in the form of aluminium coil, aluminium plates and aluminium strips. Those customers then use the Automotive HEX materials to create the HEX components (plates, tubes and fins) and assemble them into an Automotive HEX. Customers need to go through a process of validation in terms of properties (strength, corrosion, formability, etc.) for the materials or the suppliers they are going to use (they can validate more than one supplier if needed). Customers then provide the Automotive HEX to car manufacturers (the 'OEMs').[19]

(21) There are two basic processes for producing Standard FRPs: direct-chill casting and continuous casting. Direct chill casting can be used to produce all Standard FRPs. Some categories of aluminium FRPs can also be produced using continuous casting: unclad fins, building sheet, foil stock and other 3x thin gauge.[20] The production process analysed in paragraphs (22) and ff. is that of the direct-chill casting, as it covers all Standard FRPs and it is the process used by the Parties to the Transaction.

(22) Aluminium FRPs are produced using similar machinery, and involve several common steps, although depending on the product, certain adjustments (primarily and the finishing stage) are required to produce different aluminium FRPs.[21]

(23) The production process is as follows:[22]

(a) Slabs: An aluminium ingot with the correct alloy chemistry is direct-chill cast. This is the first stage in making all FRPs.

(b) Cladding (only for clad products): Consists of scalping a slab to remove an oxide layer, pre-heating and hot rolling into a long plate which is cut into smaller plates. These plates are then put on top and bottom of another

15 See Form CO, paragraph 285.
16 Annex 6.1 to the Form CO, Section 2.1.
17 See Form CO, paragraph 286.
18 See two responses to the request for information sent to car manufacturers, question 1(e) received on 2 and 3 September 2020.
19 See Form CO, paragraphs 109, 156 and 379.
20 Annex 6.1 to the Form CO, footnote 7.
21 See Form CO, paragraph 160.
22 See Form CO, paragraph 161.

so-called slab, to form a package of different alloys. As cladding only applies to clad products, unclad products do not have this stage.

(c) Pre-heating, hot rolling, cold rolling and annealing: these stages apply to all products. However, even though the cold rolling machines can in principle be universal for production of Standard FRPs and Automotive HEX materials, there are differences in the need of cold rolling capacity, due to differences in final product thickness. The thinnest product group within Automotive HEX materials, material for fins, requires most cold rolling capacity, while material for plates as the thickest product group requires the least amount of cold rolling capacity.[23]

(d) In practice, suppliers often use a heavy gauge machine for the initial cold rolling followed by a lighter gauge machine to roll thinner material. Mills can be segmented into 'breakdown mills' for heavy gauge (0.5-5mm) and mills for intermediate/light gauge (0.03-0.05-1mm). Some companies have universal mills, which can cover a wide gauge range, but these are not as productive as mills specially designed for light gauges. Therefore, most suppliers have a set-up of at least two mills (breakdown mill and finishing mill) or three or more mills (breakdown mill, intermediate mill, finishing mill) to cover the gauge range from plate over tube to fin.

(e) Finishing: Applies to all products. However, finishing (and hence finishing machines) is different depending on the product. For example, Automotive HEX materials for plates and tubes undergo an initial finishing stage called tension levelling, which is not applied to material for fins. Material for plates is slit using a heavy gauge slitting machine, and tubes, clad fins and unclad fins are slit using a light gauge slitting machine. Other aluminium FRPs can be finished using tension levelling and either a slitting or a cut-to-length machine.

(24) Therefore, while the machinery for some of the production steps is similar, there are certain differences in the capacity and machinery required by product, most notably in the cold rolling mills (to achieve a certain product thinness) and in the finishing lines.

### 4.3. Automotive HEX materials customers' purchase process

(25) Customers source Automotive HEX materials through tenders. These follow a typical B2B organisational buying process, where customers define their raw material specifications, and conduct a standard search to identify suppliers that offer what they are looking for. The Automotive HEX materials customers then request the identified suppliers to quote for the specified materials, review the proposals and make a choice.[24]

[23] See Form CO, paragraph 164.

[24] See Form CO, paragraph 370.

(26) The selection process involves a review of the proposals (quotations) submitted, including price as well as consideration of the supplier's quality performance, delivery performance, R&D capabilities, previous experiences etc.[25]

(27) The customers then short-list a number of suppliers, who are invited to meet with them to discuss the proposal and address any questions, concerns or gaps. At this stage, the customer may attempt to negotiate final, advantageous terms with each of the short-listed vendors. Bilateral negotiations are typically used for supplier selection.[26]

(28) After negotiations, the customer and the supplier agree on a supply agreement that lists technical specifications for the different materials, price, volumes, logistic/freight conditions, etc. The agreement may involve several product specifications and may be multi-year.[27] Typically, agreements are concluded for 2 to 5 years and the contract time is independent from the product category (i.e. material for plates, tubes and fins).[28]

(29) Customers consider multi-sourcing useful[29] but the decision depends mostly on whether there is enough budget, the volume of the project, and whether the manufacturing plant can handle two suppliers for the same application. Customers consider multi-sourcing good, to avoid supply disruptions: '*Multisourcing is required in order to avoid any supply source risk and to safeguard the supply chain.*'[30], but as one customer stated: '*On individual project (HEX product for a car model) level with an OEM mostly just one supplier is validated. On category basis (for example tube or fin), several suppliers are qualified. Validation cost to achieve dual sourcing on project level is generally very high. Therefore, risk management must at least be done on category level to be able to offer emergency solution to OEMs in case of supply issues*'.[31]

### 4.4. Automotive HEX materials' validation process

(30) Both Automotive HEX materials' customers (tier suppliers) and end-customers (e.g. OEMs) need to validate the materials.[32] This validation is done according to the requirements of the OEM.[33]

(31) Customers need to validate the material before purchasing it for the first time.[34] This is called the material validation process. During this process, the customer is testing for *inter alia* strength, corrosion and formability, after they have formed/brazed the heat exchanger together.[35] Therefore, every time the Automotive HEX materials customers need a new product, suppliers need to produce new material (alloy, gauge, width, temper) to fulfil the customers' requirements on strength, corrosion,

25 See Form CO, paragraph 370.
26 See Form CO, paragraph 370.
27 See Form CO, paragraph 370.
28 Questionnaire to customers, question D.C.7.
29 Questionnaire to customers, question D.C.2.1.
30 Questionnaire to customers, question D.C.2.1.
31 Questionnaire to customers, question D.C.2.1.
32 Questionnaire to customers, question D.C.1.1.
33 Questionnaire to customers, question D.C.1.1.
34 There is no need to validate the machinery.
35 See Form CO, paragraph 374.

formability or similar requirements.[36] If suppliers change materials without informing the customers, they may be reported. As a customer submitted: '*Suppliers shall be reported if they change like the 4Ms (Material/Machine/Men/Method)*'.[37]

(32) Further, if changes occur in suppliers' production lines (new machinery or changed process) then they need to apply for a change request for a renewed material validation at the customer and show that the new material is the same as the old material in terms of properties (strength, corrosion, formability, etc.).[38]

(33) The supplier's material also has to be proposed to the OEM and accepted by it. This includes technical presentations, product testing and validation.[39] In addition, IATF 16949 certification is mandatory for suppliers to the automotive industry.[40]

(34) Validation times vary per product and end-customer. Duration and qualification requirements are specific to each OEM.[41] The process can take up to two years.[42]For example, a competitor points at the following steps and duration: '*Typical steps: 1) Lab testing at HEX manufacturer of material properties (9-12 months); 2) Material validation at HEX manufacturer of material used on specific customer application. In some cases also partially done by end-customer (car manufacturer) 12-15 months); 3) Process validation at HEX manufacturer plant (3-6 months).* '[43]

(35) As one customer stated: '*As a first step the supplier must be certified for the needs of automotive quality requirements (IATF and audit specific customer requirements). Once the supplier is certified, a process for validation of supplier process and product (material) is performed. Once supplier validations are completed and declared as conform, Tier 1 will validate the material on the heat exchanger by performing a design and product validation, based on a testing plan discussed and agreed with the OEM. Tests results will be then presented to the OEM, which will as well perform tests on its side (including sometime vehicle tests). This long and heavy process, including administrative tasks and lead times for production, usually takes more than two years*'.[44]

## 5. PRODUCT MARKET DEFINITION

(36) The Parties activities overlap[45] in the production of aluminium FRPs, including Standard FRPs and all segments of Automotive HEX. In the EEA, both Parties

36 See Form CO, paragraph 375.
37 Questionnaire to customers, question D.C.1.1.
38 See Form CO, paragraph 376.
39 Questionnaire to customers, question D.C.1.1.
40 Questionnaire to competitors, question D.C.1.1.
41 Questionnaire to competitors, question D.C.1.1.
42 Questionnaire to customers, question D.C.1.1., questionnaire to competitors, question D.C.1.1.
43 Questionnaire to competitors, question D.C.1.1.
44 Questionnaire to customers, question D.C.1.1.
45 The Parties also have a small overlap in the supply of rolled aluminium products to the HVAC/ R HEX sector ('HVAC/ R HEX FRPs'), also a part of the larger Standard FRP segment, in the EEA. This industry includes systems for heating, ventilation and air-conditioning in private homes, and in commercial and industrial buildings. The Parties argue that HVAC/R HEX FRPs is not a separate market from the wider Standard FRPs. However, under any plausible market definition, including HEVAC/R HEX FRPs as a separate market, the Parties' combined market share would be [0-5]% in the EEA and [10-20]% on a

produce, sell and deliver both Standard FRPs and Automotive HEX materials for plates, tubes and fins with different gauges, widths, tempers and alloys.[46] Therefore, the Transaction gives rise to horizontal overlaps with respect to the manufacture and supply of Standard FRPs and of Automotive HEX materials.

### 5.1. The Commission's precedents

(37) In previous decisions, the Commission segmented aluminium FRPs into several separate product markets, one of them being Standard FRPs.[47] The Commission considered that there exists a distinct market for Standard FRPs consisting of all FRPs that do not constitute distinct product markets within the field of FRPs. The market for Standard FRPs would include standard sheet, plates, foil stock, etc. for which, there exists a certain degree of supply side substitutability. The market investigations in these previous cases indicated that aluminium producers were able to produce the full range of Standard FRPs, switching production between the different types within a short period of time and without incurring significant additional costs.[48]

(38) In one case, the Commission contemplated the possibility of considering brazing sheet (i.e. sheet for tubes and plates) for the use in heat exchangers as a separate product market.[49] However, the product market definition was left open.

### 5.2. The Notifying Party's view

(39) The Notifying Party submits that the relevant product market in this case is the supply of Standard FRPs. The Notifying Party considers that Standard FRPs belong to the same product market as aluminium FRPs for Automotive HEX materials. The Notifying Party considers the supply of Standard FRPs as the relevant product market for the following reasons:[50]

(a) There is a large overlap between the production stages required not only for aluminium FRPs for Automotive HEX but for aluminium FRPs more generally. Therefore, Gränges argues that it is possible for suppliers to flex between the production of aluminium FRPs for Automotive HEX. Moreover, as the main suppliers of aluminium FRPs for Automotive HEX already produce plates, tubes and either clad or unclad fins, they are able to flex production volumes between various types of Automotive HEX that they produce without incurring in material investment costs.

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global market with predominant significance in North America. Therefore, HVAC/R HEX FRPs does not constitute an affected market and will not be analysed further.

46 Form CO, paragraphs 10 and 11.

47 According to the Commission's precedents FRPs have thus been segmented into the following seven distinct product markets: (i) beverage can bodies; (ii) beverage can ends; (iii) food can bodies; (iv) lithographic sheet; (v) aluminium foil, which in turn may be divided into container foil, converter foil, household foil and industrial foil; (vi) automotive sheet; and (vii) Standard FRPs. (M.4605 - Hindalco / Novelis, paragraph 13).

48 Commission decision of 29 September 2003, ALCAN/PECHINEY (II) (M.3225), paragraph 61; Commission decision of 4 March 2002, Norsk Hydro /VAW (M.2702), paragraph 11.

49 Commission decision of 26 June 2001, ELKEM/SAPA (M.2404), paragraph 19.

50 Form CO, paragraph 21, and Annex 6.1 to the Form CO.

(b) The machinery used for Automotive HEX FRPs and other Standard FRPs is similar. Costs and time for installation of machinery are limited (no barriers to entry), it would take probably less than 6 months to move into an adjacent segment (e.g. from clad tube to clad fin);[51]

(c) There is significant spare capacity, which facilitates supply-side expansion. Subsequently, the Notifying Party argues that suppliers are able to expand production to produce another material type in the short term by utilising the existing equipment;[52]

(d) A 5-10% price rise for Automotive HEX could induce volumes to be switched from other Standard FRPs to Automotive HEX FRP production. As supply-side substitution is likely to be profitable, separate markets for Automotive HEX should not be defined.

(e) For the narrower segments of material for clad fins and unclad fins, the Notifying Party argues that there is also demand-side substitutability for these types of products. With the introduction of more corrosion resistant tube stock, more condenser designs are using external unclad fins. Therefore, Gränges believes that if the price of clad fins increased, customers that have a secondary condenser design that uses unclad fins could switch to unclad fins.[53]

### 5.3. The Commission's assessment

(40) A wide majority of customers and competitors who expressed an opinion in the market investigation on this point submitted that they cannot use Standard FRPs instead of aluminium FRPs for Automotive HEX for the same applications neither overall or in terms of price, use/end applications, product characteristics and efficiency.[54] As one customer stated: '*Automotive heat exchangers products are not generic flat rolled aluminium alloys but customized per application, tailor made in chemical composition, mechanical properties, dimensional tolerances*.'[55]; and a competitor mentioned: '*Aluminium FRPs for Automotive HEX are in general completely different products than Standard FRPs. For example, Standard products are for building applications, Foilstock or General Engineering, while Automotive HEX products are made for heat exchanger for passenger cars or trucks. A big part of this products is clad, which means the products have a core alloy and on top a clad layer which allows the customer to braze material together in order to produce a heat exchanger. The Standards FRPs do not have alloy combinations in one product*".[56]

(41) All customers and a large majority of competitors who expressed an opinion in the market investigation on this point consider that Automotive HEX material for (i) plates (with a thickness of >0.4 mm), (ii) tubes (with a thickness between 0.2 mm

51 Annex 6.1, paragraph 3.1.1.
52 Form CO, paragraph 103.
53 See Form CO, paragraph 287.
54 Questionnaire to customers, questions B.1 and B.1.1; questionnaire to competitors, questions B.1 and B.1.1.
55 Questionnaire to customers, question B.1.1.
56 Questionnaire to competitors, question B.1.1.

and 0.4 mm) and (iii) fins (with a thickness of <0.2 mm) belong to separate product markets due to limited substitutability for customers in terms of, e.g., product characteristics, applications and prices.[57] Also a large majority of customers and competitors consider clad fins are not interchangeable with unclad fins due to limited substitutability for customers in terms of, e.g., product characteristics, applications and prices.[58] In this respect, a customer stated: '*Clad fin materials are developed and/or selected for specific functionality and/or technical requirement. Thus, clad and unclad fin materials are not substitutable each other by its technical nature*.'[59] The majority of competitors considered that the supply side substitutability between different types of Automotive HEX is limited.[60]

(42) Based on the market investigation and in view of the information available to it in paragraphs (11) to (41), the Commission considers, for the purposes of this Decision, that Standard FRPs and aluminium FRPs for Automotive HEX both constitute distinct relevant product markets. The question whether the market for aluminium FRPs for Automotive HEX could be further segmented into Automotive HEX material for plates; Automotive HEX material for tubes; Automotive HEX material for overall fins; Automotive HEX material for clad fins and Automotive HEX material for unclad fins can be left open as the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement under any of these plausible product market definitions.

## 6. GEOGRAPHIC MARKET DEFINITION

### 6.1. The Commission's precedents

(43) The Commission previously considered that the geographic market of Standard aluminium FRPs is at least EEA-wide and possibly, for certain categories, even wider in scope.[61]

(44) The Commission has not specifically analysed the supply of Automotive HEX materials (i.e. materials for plates, tubes and fins) in its previous decisions in the aluminium sector.

### 6.2. The Notifying Party's view

(45) The Notifying Party agrees with the Commission's precedents, and considers the relevant geographic market to be at least EEA-wide.

### 6.3. The Commission's assessment

(46) The market investigation in the present case supports the view that the relevant geographic market for the production and supply of Standard FRPs and Automotive HEX materials is EEA-wide.

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57 Questionnaire to customers, question B.4; questionnaire to competitors, question B.2.

58 Questionnaire to customers, question B.5; questionnaire to competitors, question B.3.

59 Questionnaire to customers, question B.5.1.

60 Questionnaire to competitors, question B.7.1.

61 Commission decision of 8 May 2007, HINDALCO / NOVELIS (M.4605), paragraph 13; Commission decision of 29 September 2003, ALCAN/PECHINEY (II) (M.3225), paragraphs 66-67.

(47) In particular, during the Commission's market investigation, all of the competitors and customers who expressed an opinion stated that the supply and demand of Standard FRPs are at least EEA-wide.[62] A competitor stated that '[s]*everal risk factors discourages customers to buy globally*'.[63] Another competitor stated that: '[the Company] *does not consider to be directly competing with Asian producers as the latter's materials are not exactly the same quality*.'[64]

(48) Market participants expressed similar views with regard to Automotive HEX materials. Irrespective of whether they are defined as a separate relevant product market, from a geographic perspective appear to follow largely similar competitive dynamics as other types of Standard FRPs. Most competitors and customers also stated that the prices of Automotive HEX materials are similar throughout the entire EEA.[65] The majority of customers consider that suppliers provide Automotive HEX materials at EEA level.[66] The majority of competitors and customers consider that the above does not differ for the different types of Automotive HEX materials (i.e. materials for tubes, fins overall, clad fins and unclad fins).[67]

(49) In addition to the foregoing, respondents to the market investigation considered duties as an important constraint.[68] Imports of Automotive HEX materials from a third country into the EEA are subject to an import duty of 7.5%. Further, and on top of these 7.5% duties, the Commission opened an antidumping investigation on China imports (AD668) on 14 August 2020.[69] As a customer explained: '*In case additional duties are applied, supply from outside the EEA cannot be as competitive compared to supply within the EEA.*'[70] This may constitute an additional constraint for customers to source from outside the EEA.

(50) Moreover, transportation costs also impacts imports and exports of Automotive HEX materials. The majority of customers consider that, due to transport cost, Automotive HEX materials can only be sold within the same region (e.g. the EEA) where they are manufactured.[71] A competitor pointed out that: '*transport cost can have a sizeable impact in the aluminium FRP price when overseas shipments are involved*'.[72] The majority of competitors and customers consider that the above does not differ for the different types of Automotive HEX materials (i.e. materials for tubes, fins overall, clad fins and unclad fins).[73]

### 6.4. Conclusion on the geographic market definition

(51) For the purposes of this decision and in light of the results of the market investigation and of all information available to it, the Commission considers that the geographic market for Standard FRPs and Automotive HEX materials is

62 Questionnaire to customers, question C.1; questionnaire to competitors, question C.1.
63 Questionnaire to competitors, question C.2.1.
64 Minutes of a call with a competitor of 12 March 2020, paragraph 16.
65 Questionnaire to customers, question C.2; questionnaire to competitors, question C.2.
66 Questionnaire to customers; question C.2
67 Questionnaire to customers, question C.2.2; questonnaire to competitors, question C.2.2.
68 Questionnaire to customers, question C.3.1, questionnaire to competitors, question C.3.1.
69 See https://trade.ec.europa.eu/tdi/case_details.cfm?id=2475.
70 Questionnaire to customers, question C.3.1.
71 Questionnaire to customers, question C.3.
72 Questionnaire to competitors, question C.3.1.
73 Questionnaire to customers, question C.3.2; questionnaire to competitors, question C.3.2.

EEA-wide in scope. The production and supply of the different Automotive HEX materials (i.e. materials for tubes, fins overall, clad fins and unclad fins), if treated as separate relevant product markets, would also be EEA-wide in scope.

## 7. COMPETITIVE ASSESSMENT

### 7.1. Legal framework

(52) Under Article 2(2) and (3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position. In this respect, a merger can entail horizontal and/or non-horizontal effects.

(53) Horizontal effects are those deriving from a concentration where the undertakings concerned are actual or potential competitors of each other in one or more of the relevant markets concerned. The Commission appraises horizontal effects in accordance with the Horizontal Merger Guidelines.[74]

(54) According to paragraph 26 of the Horizontal Merger Guidelines, a non-exhaustive list of relevant factors need to be assessed in order to draw a conclusion whether significant non-coordinated effects are likely to result from a merger.

(55) Accordingly, Section 7.4 assesses market shares, closeness of competition between the Parties, important dynamics of the markets where the Parties' activities overlap, the alternatives to the Parties and barriers to entry and competitors' behavior in case of price increases. Based on all these factors considered together, conclusions on horizontal non-coordinated effects are drawn in at the end of Section 7.4.

### 7.2. Introduction and market structure

(56) The Automotive HEX materials market, as **Table 1** below shows, is small compared to the Standard FRPs market, estimated at around [10-20]% of the volume sales of Standard FRPs. Within the Automotive HEX segment material, plates represent [20-30]%, tubes represent [30-40]%, overall fins represent [30-40]% (unclad fins representing [30-40]% and clad fins representing [0-5]%).

**Table 1. Estimated market sizes of various potential segments of Standard FRPs**

| **EEA Markets 2018 (mt):** | |
|---|---|
| Standard FRPs: | 2 346 410 |
| Auto HEX FRPs: | [280 000-310 000] |
| Plates: | [70 000-90 000] |
| Tubes: | [100 000-120 000] |
| Fins: | [90 000-110 000] |
| Unclad fins: | [80 000-100 000] |
| Clad fins: | [10 000-20 000] |

*Source: Form CO, paragraph 289*

[74] Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ('Horizontal Merger Guidelines'), OJ C 31, 05.02.2014.

(57) Automotive HEX materials are used in all types of vehicles, from light to heavy duty, as well as hybrid and Electric Vehicles ('EV'). A higher share of hybrid vehicles, EVs and vehicles with different types of advanced features, affects the demand of Automotive HEX materials.

(58) Gränges supplies aluminium FRPs, primarily for use in HEX applications. Gränges has one production site in the EEA, in Finspång, Sweden, which supplies the Automotive and HVAC/R industries.

(59) Impexmetal operates one production facility in Konin, Poland, with an annual production capacity of 100,000 mt. Impexmetal has [Impexmetal's strategic decision relating to possible expansion of capacity/offering].[75]

(60) In the EEA, for Automotive HEX materials and Automotive HEX materials subcategories the Notifying Party identifies at least four large suppliers, namely Aleris, Hydro, Constellium, and AMAG and several other smaller ones: Arconic, Elval, Alinvest, Alcha, Novelis, Huafon, and Wuxi Yinbang.[76] The market investigation revealed the following companies that registered sales of Automotive HEX in the EEA for the last 4 years: AMAG, Constellium, Elval, Eurofoil, Norsk Hydro, ALRO, Hulamin, Huafon, Novelis and Assan.[77]

(61) Customers of Automotive HEX are large Tier 1-suppliers to OEMs like [the Parties' customers 1, 2 and 3]. They represented [60-70]% of Gränges' sales of Automotive HEX in the EEA in 2018. Impexmetal has in total [number of customers] automotive HEX materials customers in EEA. In addition, the Parties' customers multisource.[78]

(62) For Automotive HEX materials and subcategories, besides the market shares used to assess market power, the overall production and spare capacity is also a good parameter to assess the competitive strength of a supplier. A suppliers' capacity to increase production depends on the part of the equipment that is usually the bottleneck in the process, and this is usually the finishing equipment (i.e. capacity for slitters, tension levelling etc.).[79] The CRU report focuses on rolling capacity since this is the capital-intensive part of the business, hence the capacity presented in Table 2 below is related to the rolling capacity of the factories.

75 Form CO, paragraphs 136 and 137.
76 Form CO, paragraph 258.
77 Questionnaire to competitors, question D.D.8.
78 Form CO, paragraph 266.
79 Form CO, paragraphs 329-331.

**Table 2. EEA capacity market shares for facilities producing Automotive HEX materials in 2018[80]**

| AUTOMOTIVE HEX SUPPLIER AND FACILITY IN EEA | AUTO HEX PRODUCED81 VOLUME [MT] | AUTO HEX VOLUME CAPACITY [MT] | AVAILABLE CAPACITY [MT] | CAPACITY MARKET SHARE EEA |
|---|---|---|---|---|
| Gränges (Finspång, Sweden) | […] | […] | […] | [10-20]% |
| The Target (Konin, Poland) | […] | […] | […] | [5-10]% |
| Combined | […] | […] | […] | [20-30]% |
| Aleris (Koblenz, Germany) | […] | […] | […] | [10-20]% |
| Aleris (Duffel, Belgium) | […] | […] | […] | [5-10]% |
| Constellium (Neuf Brisach, France) | […] | […] | […] | [10-20]% |
| Hydro (Hamburg, Germany) | […] | […] | […] | [5-10]% |
| Hydro (Holmestrand, Norway) | […] | […] | […] | [0-5]% |
| AMAG (Ranshofen, Austria) | […] | […] | […] | [5-10]% |
| Arconic (Szekesferhvar, Hungary) | […] | […] | […] | [5-10]% |
| Elval (UACJ) (Oinofyta, Greece) | […] | […] | […] | [5-10]% |
| Alinvest (Bridlicna, The Czech Republic) | […] | […] | […] | [0-5]% |
| Eurofoil (Rugles, France) | […] | […] | […] | [5-10]% |
| Alro (Slatina, Romania) | […] | […] | […] | [5-10]% |
| Novelis (Pieve, Italy) | […] | […] | […] | [0-5]% |
| Alcomet (Shumen, Bulgaria) | […] | […] | […] | [0-5]% |
| *Total [mt]* | | […] | […] | 100% |

*Source: Form CO*

(63) As Table 2 above shows, there is spare capacity regarding the production of Automotive HEX materials in the EEA. The utilization of the capacity is closely related to the strategic decision of the producer regarding the Automotive HEX materials product mix it considers most profitable to produce. The optimal product mix is dependent on the equipment at the respective factory and it would not be efficient to produce only a single type of Automotive HEX material, like material for plates, tubes or fins.

80 The shares do not take into account the merger between Novelis and Aleris as they refer to a period in which the two companies were separate undertakings. The completion of the merger between the two companies does not affect the competitive assessment of this case.

81 Includes exports outside EEA.

**Table 3. Summary of the Parties' market shares (volume - EEA - 2018)[82]**

| | GRÄNGES' MARKET SHARE | IMPEXMETAL'S MARKET SHARE | COMBINED MARKET SHARE | TOTAL ESTIMATED MARKET SIZE (EUR) | TOTAL ESTIMATED MARKET SIZE (MT) |
|---|---|---|---|---|---|
| **Standard aluminium FRPs** | [0-5]% | [0-5]% | **[5-10]%** | [6 800 000 000-7 200 000 000] (incl. metal prices) [2 000 000 000-2 400 000 000] (excl. metal prices) | 2 346 410 |
| **Aluminium FRPs for automotive HEX** | [10-20]% | [5-10]% | **[20-30]%** | [900 000 000-1 100 000 000] (incl. metal prices) [300 000 000-400 000 000] (excl. metal prices) | [280 000-310 000] |
| **Automotive HEX materials for plates** | [10-20]% | [5-10]% | **[10-20]%** | N/A | [70 000-90 000] |
| **Automotive HEX materials for tubes** | [20-30]% | [5-10]% | **[30-40]%** | N/A | [100 000-120 000] |
| **Automotive HEX materials for fins** | [20-30]% | [5-10]% | **[20-30]%** | N/A | [90 000-110 000] |
| **Automotive HEX materials for clad fins** | [40-50]% | [10-20]% | **[60-70]%** | N/A | [10 000-20 000] |
| **Automotive HEX materials for unclad fins** | [10-20]% | [5-10]% | **[20-30]%** | N/A | [80 000-100 000] |

*Source: Prepared by the Commission based on information from the Form CO*

(64) In view of the figures from Table 3, the Transaction gives rise to horizontally affected markets in the supply of overall Automotive HEX, Automotive HEX materials for tubes, Automotive HEX materials for fins overall, Automotive HEX materials for clad fins and Automotive HEX materials for unclad fins.[83]

### 7.3. The Notifying Party's views

(65) The Notifying Party submits that the affected markets would be the hypothetical EEA-wide markets for the supply of aluminium FRPs for Automotive HEX, or if taking a narrower approach, the EEA-wide markets for the supply of Automotive

[82] As a preliminary remark, for the purpose of this decision, the Notifying Party considers (and the Commission agrees) that a volume-based measure based on the weight should be used when assessing the Parties' market shares. As submitted by the Notifying Party, value shares are not used in the aluminium industry because a significant proportion of the price of the finished product depends on metal prices, which fluctuates. (Form CO, paragraphs 221 and 222).

[83] For 2018, in the EEA-wide markets for the supply Standard aluminium FRPs and of Automotive HEX plate materials, the Parties held a combined market share of [5-10]% and [10-20]% in volume, and hence these are not affected markets. Further, several other strong players remain in the market (such as Aleris, Constellium, and Hydro).

HEX materials for tubes, overall fins (including clad and unclad), clad fins and unclad fins.

(66) In this regard, the Notifying Party claims that: (i) the Parties are not close competitors; (ii) there will remain a sufficient number of competitors post-Transaction; (iii) suppliers of Standard FRPs can switch their current product mix in order to increase (or start) supplying Automotive HEX materials, especially if prices increase; (iv) capacity constraints in Automotive HEX materials are unlikely to be a problem; (v) customers of Automotive HEX materials are large sophisticated companies with plenty of countervailing buyer power, and they usually multi-source.

(67) **On closeness of competition**, the Notifying Party submits that Gränges and Impexmetal's businesses are complementary,[84] and that they are in any case not close competitors.

(68) The Notifying Party considers that there are two different types of suppliers of Automotive HEX materials as regards product quality and whether products are standardised or commoditised: high-end and low-end suppliers.[85]

(69) Gränges regards itself as a high-end supplier, and considers Impexmetal to be a low-end supplier. In Gränges' opinion, it has more advanced capabilities and technical competence in process and R&D, as well as higher quality or more advanced products than those of low-end suppliers. The Notifying Party considers that other high-end suppliers include Aleris, Constellium, Hydro, AMAG and Elval.[86] Gränges believes that customers might regard the Target to be focusing on the commodity market.[87] Other low-end suppliers produce more standardised products, such as Eurofoil, Alro, Assan, Alcomet, Hulamin, Arconic, and Alcha.[88] This is also true for the different Automotive HEX materials, and particularly for materials for tubes.[89]

(70) The Notifying Party submits that its high- versus low- end suppliers argument is further supported by [price structure of the Parties] between the Parties and by analysing the products in Gränges portfolio that Impexmetal cannot produce.[90] For example, Gränges supplies multiclad materials while Impexmetal does not [Impexmetal's strategic decision relating to possible expansion of capacity/offering]. Gränges also submits that it is focused on being a flexible supplier that allows smaller order sizes to the customer, [price structure of Gränges] (smaller order sizes mean more setup time in the machinery).[91]

84 According to the Notifying Party, around [70-80]% of Impexmetal's business consist of other aluminium FRPs than Automotive HEX FRPs. The reverse happens with Gränges, where in the EEA, about [90-100]% of its sales of Standard FRPs consist of Automotive HEX FRPs. See Form CO, paragraph 28.

85 See Form CO, paragraphs 392, 394 and 395.

86 See Form CO, paragraphs 12, 34, 392, 394.

87 See Form CO, paragraphs 12, 34, 394, 395.

88 See Form CO, paragraph 41.

89 See Form CO, paragraphs 276 and 277.

90 See Form CO, paragraphs 34, 395.

91 See Form CO, paragraph 395.

(71) The pricing comparison of the Parties' average prices for Automotive HEX materials is shown below:

**Figure 2. Parties' average conversion prices for Automotive HEX materials**

[…]

*Source: Form CO, table 37 (paragraph 395)*

(72) **On the sufficient number of remaining competitors in the market**, the Notifying Party submits that, post-Transaction, it will be possible for customers to switch volumes of products to other suppliers.[92]

(73) The Notifying Party submits that it possible to switch supplier, despite the validation costs in case a customer needs to validate new Automotive HEX materials. The Notifying Party considers these costs as insignificant compared to the potential savings that could occur.[93]

(74) Gränges argues that multi-sourcing is very common, and therefore customers would not need to go through additional validation processes to switch volumes quickly.[94] Gränges considers that due to multi-sourcing, customers could easily switch suppliers in case of a price increase.[95] According to Gränges, Automotive HEX materials customer [the Parties' customer 1] multi-sources standardised tubes from eight suppliers, and fins from seven suppliers. [the Parties' customer 2] multi-sources tubes and fins from six suppliers (each product).[96]

(75) The Notifying Party argues that the difficulty for customers of switching supplier is further decreased for commoditised products (such as unclad fins) as these are standardised (i.e. the same material can be used for multiple applications so there would be no need to pass a validation process).[97]

(76) **On the suppliers' ability to flex (and/or increase) production in case of a price increase,** the Notifying Party submits that supply-side substitution is timely and inexpensive within Automotive HEX materials.[98] The Notifying Party submits that post-Transaction, several powerful actual and potential competitors would still be able to discipline the Parties by starting or expanding their production of Automotive HEX materials.[99] Further, the Notifying Party submits that a 5-10% price rise in any Automotive HEX material would likely cause rapid switching and expansion.[100]

(77) Gränges argues that competitors active in other segments than Automotive HEX materials have the possibility to switch capacity in or out of Automotive HEX materials.[101] The Notifying Party submits that most of the main Automotive HEX materials suppliers already produce material for plates, tubes and either clad or

92 See Form CO, paragraphs 36 and 377.
93 See Form CO, paragraph 363.
94 See Form CO, paragraph 377.
95 See Form CO, paragraph 386.
96 See Form CO, paragraphs 278 and 283.
97 See Form CO, paragraph 378.
98 See Annex 6.1 to the Form CO, Section 3.1.2.
99 See Form CO, paragraph 216.
100 See Annex 6.1 to the Form CO, Section 3.1.3.
101 See Form CO, paragraph 248, and Annex 6.1 to the Form CO.

unclad fins, and they would be able to flex production volumes between the Automotive HEX materials that they produce without incurring material investment costs.[102] Gränges considers that, for suppliers already acquainted with clad products, and with the equipment in place, it would take less than six months to move into an adjacent segment (e.g. from clad tubes to clad fin).[103]

(78) Further, the Notifying Party submits that the production process for Automotive HEX materials (i.e., materials for plates, tubes and fins) use similar or identical equipment, and even if a supplier needs to invest in additional machinery, this machinery is low cost and can be set up quickly.[104] The table below shows the machinery requirements to switch capacity between Automotive HEX materials:

**Table 4. Machinery requirements to switch capacity between Automotive HEX materials**

| Current production (rows) | To begin producing | | | |
|---|---|---|---|---|
| | **Plates** | **Tubes** | **Clad fins** | **Unclad fins** |
| Plates | - | Slitting – light gauge | Slitting – light gauge | Slitting – light gauge |
| Tubes | Slitting – heavy gauge | - | - | - |
| Clad fins | Tension levelling and slitting – heavy gauge | Tension levelling | - | - |
| Unclad fins* | Cladding, tension levelling and slitting – heavy gauge | Cladding and tension levelling | Cladding | - |

*Source: Annex 6.1 to the Form CO, table 5*

(79) The Notifying Party notes that this table assumes that direct chill technology is used. Suppliers of unclad fins using continuous casting would not be able to switch production to direct-chill products without significant investment.[105]

(80) With regards to the cost and time to install machinery required to switch capacity from one Automotive HEX material to another, the Notifying Party estimates the following:

102 See Annex 6.1 to the Form CO, Section 3.1.1.
103 See Annex 6.1 to the Form CO, Section 3.1.1.
104 See Annex 6.1 to the Form CO, Section 3.1.2.
105 See Annex 6.1 to the Form CO, Section 3.1.2.

**Table 5. Cost and time to install machinery required to switch capacity**

| Machinery | Cost (EUR million) | Time to install | Annual capacity |
|---|---|---|---|
| Cladding | [...] | 12 months | 50 kt |
| Tension levelling | [...] | 8-12 months | 20-50 kt |
| Slitting – light gauge | [...] | 8-12 months | 5-30 kt |
| Slitting – heavy gauge | [...] | 8-12 months | 5-30 kt |

*Source: Annex 6.1 to the Form CO, table 6*

(81) Therefore, Gränges argues that the costs and time required to install machinery to be able to switch capacity from one Automotive HEX material to another is not significant.

(82) Moreover, the Notifying Party believes that there are credible import threats coming from Chinese suppliers.[106] According to Gränges, Chinese suppliers have access to cheaper metal as well as government subsidies.[107]

(83) With regard to material for clad fins, the Notifying Party argues that fewer number of clad fin suppliers is likely due to low demand and low volumes of product sold and not to barriers to entry.[108] Gränges considers that suppliers of unclad fins need little time and capital to start producing clad fins (although suppliers would have to use the direct chill technology).[109] Further, suppliers who already produce clad material (e.g. tubes) can start producing clad fins without installing any additional machinery, as tubes use the same cladding and light gauge slitting machines as clad fins.[110] Moreover, Gränges considered that even in the case that investments in a clad fin were needed, it would only take a year to build with some minor investment (of around EUR [information on the Parties' costs relating to manufacture]).[111] Gränges believes higher clad fin prices would induce more suppliers to produce clad fins.[112]

(84) **On the lack of capacity constraints,** Gränges argues that this would contribute to competitors increasing (or starting) their supply of Automotive HEX materials. Gränges estimates that capacity utilisation in 2019 was likely to be around 80-90%.[113] Gränges expects capacity to increase substantially in the coming years because of three main reasons:[114]

- First, the US-China trade war has freed Chinese capacity to supply European customers.

106 See Form CO, paragraph 262.
107 See Form CO, paragraph 262.
108 See Form CO, paragraph 300.
109 See Form CO, paragraphs 300 and 301.
110 See Form CO, paragraph 300.
111 See Form CO, paragraph 301.
112 See Form CO, paragraph 300.
113 See Form CO, paragraph 265.
114 See Form CO, paragraphs 216 and 265.

- Second, a weak automobile sector has reduced orders, and led to idle European capacity.

- Third, Gränges estimates that between 2018-2023 Europe will add 403 000mt of capacity of aluminium FRPs which includes planned expansions in the near future by Elval, Assan, AMAG, Alcomet and Alro.[115] The Notifying Party argues that, in principle, it is possible to use the capacity for all different segments of aluminium FRPs to produce Standard FRPs, so it estimated these capacity increases on the basis of capacity for all aluminium FRP segments.[116]

(85) **On the countervailing buyer power**, the Notifying Party argues that customers are sophisticated and consolidated (with only a few large customers making up for a large part of suppliers' sales of Automotive HEX materials) have global contracts and strong financial resources, and therefore have a strong countervailing buyer power.[117] Therefore, Gränges submits that significant losses of sales and market shares would occur if customers were to switch volumes away from the Parties, which makes suppliers of Automotive HEX materials more dependent on the customers than the other way round.[118]

## 7.4. The Commission's assessment

### *7.4.1. Automotive HEX materials overall – horizontal non-coordinated effects*

(86) In this Section, the Commission will assess the effects of the Transaction in an overall plausible market for Automotive HEX materials. The assessment for the alternative plausible markets for individual products (i.e. Automotive HEX materials for tubes, fins overall, clad fins and unclad fins) will be addressed in Section 7.4.27.4.2.

(87) The Transaction is not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials overall for the reasons set out below.

(88) If an overall market for **all Automotive HEX materials** were defined, the Transaction would give rise to an affected market. The market investigation has pointed at certain barriers to entry for example, the cost, time and approval needed for validation of additional materials/suppliers and the current imports that may be affected by further duties imposed to them.[119]

115 See Form CO, paragraph 265.
116 See Form CO, paragraph 244.
117 See Form CO, paragraphs 382, 384 and 385.
118 See Form CO, paragraph 385.
119 Questionnaire to customers, questions C.3.1 and D.C.2.1; questionnaire to competitors, question E.2.1.

**Table 6. Market shares for all Automotive HEX materials (EEA-2018)[120]**

| | SALES [MT] | SHARE [%] | MARKET SIZE [MT] | MARKET SIZE (EUR) |
|---|---|---|---|---|
| **Gränges** | […] | [10-20]% | [280 000-310 000] | [900 000 000-1 100 000 000] (including metal prices)<br>[300 000 000-400 000 000] (excluding metal prices) |
| **Impexmetal** | […] | [5-10]% | | |
| **Combined** | **[…]** | **[20-30]%** | | |
| **Aleris** | […] | [10-20]% | | |
| **Hydro** | […] | [10-20]% | | |
| **Constellium** | […] | [5-10]% | | |
| **AMAG** | […] | [5-10]% | | |
| **Others** | […] | [30-40]% | | |

*Source: prepared by the Commission based on information from the Form CO*

(89) However, on balance, the Commission finds the Transaction does not raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials because of the following reasons: (i) the Transaction will give rise to moderate market shares and there is idle capacity; (ii) the Parties do not seem to be close competitors; (iii) there would remain several (actual and potential) suppliers in the market; and (iv) competitors are likely to increase their supply should prices increase.

(90) First, based on the Parties' estimates in Section 7.2 above, the combined share of the Parties in all Automotive HEX materials in 2018 would be limited to [20-30]% in the EEA. The results of the market investigation also support the conclusion that the market for the supply of Automotive HEX materials overall is competitive.[121] Further, this market is shrinking, as a competitor mentioned: '*HEX automotive market for FRP is shrinking 2-3% p.a. until 2025 according [to the] latest Ducker study from 2019.*'[122]

(91) Second, the results of the market investigation have shown that the Parties are not close competitors in the market for the supply of Automotive HEX materials overall. Competitors indicated that the closest competitors to Gränges (in terms of price, product characteristics, product range, quality and overall) were Aleris, Elval, Novelis and AMAG, and to Impexmetal were Alro, Aleris, Novelis and Elval.[123] Customers indicated that the closest competitors to Gränges (in the same parameters as just mentioned) were Elval, Arconic, Constellium and Aleris.[124]

(92) The market investigation results also confirmed the existence of high- and low-end suppliers.[125] Gränges is viewed as a supplier of high-end products (constant product

120 For the Parties, plus all of its competitors with >5% market share.

121 Questionnaire to customers, question D.A.1; questionnaire to competitors, question D.A.1.

122 Questionnaire to competitors, question D.D.6.

123 Questionnaire to competitors, questions D.B.1 and D.B.2. Although some competitors did mention Gränges as a close competitor to Impexmetal, the other way round only was mentioned once, by one competitor, and for one parameter (price).

124 Questionnaire to customers, question D.B.1.

125 Questionnaire to customers, questions D.C.6, and D.C.6.1; questionnaire to competitors, questions D.C.3 and D.C.3.1.

quality, high assortment range, HEX-specific R&D capability) whereas Impexmetal is perceived as being able to supply less complex products than Gränges.[126]

(93) Third, competitors have idle capacity for Automotive HEX materials, as shown in Table 2, and as confirmed in the market investigation. Therefore, several competitors could increase production of Automotive HEX materials in reaction to an increase in demand in the EEA.[127] Further, the majority of competitors consider that neither casting, nor hot rolling, cold rolling, cladding, cleaving or packing would act as barriers or bottlenecks in case of an increase of production on Automotive HEX materials.[128]

(94) Fourth, several (actual and potential) suppliers would remain in the market. The data provided by the Notifying Party and the results of the market investigation indicate that the competitive landscape in the market for Automotive HEX materials is characterised by a number of strong global players, which are active across the EEA. The merged entity will continue to face strong competitive pressure from strong players such as Aleris ([10-20]%), Constellium ([10-20]%), Hydro ([10-20]%) and other smaller players as well as imports from South Africa and China. A competitor explained that '*there are many suppliers active in the EEA*'.[129]

(95) Lastly, competitors are likely to increase their supply should prices increase. The market investigation results have shown that the majority of competitors who expressed an opinion on this point would increase production of Automotive HEX materials overall in the event of a 5-10% price increase.[130]

(96) Based the considerations in paragraphs (88) to (95) above and in light of the results of the market investigation and of all evidence available to it, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect the overall market for Automotive HEX in the EEA.

*7.4.2. Plausible markets of Automotive HEX materials for tubes, fins overall, clad fins and unclad fins*

(97) In this Section, the Commission will assess the effects of the Transaction in the plausible narrower markets for each individual product within aluminium FRPs for Automotive HEX, where there is an affected market: Automotive HEX materials for tubes, Automotive HEX materials for fins overall, Automotive HEX materials for clad fins, and Automotive HEX materials for unclad fins.

7.4.2.1. Plausible narrower market of Automotive HEX materials for tubes – horizontal non-coordinated effects

(98) The Transaction is not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials for tubes for the following reasons.

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126 Questionnaire to customers, questions D.C.6, and D.C.6.1; questionnaire to competitors, questions D.C.3 and D.C.3.1.

127 Questionnaire to competitors, question D.D.7.

128 Questionnaire to competitors, question D.D.9.

129 Minutes of a call with a competitor of 20 March 2020, paragraph 20.

130 Questionnaire to competitors, question D.D.2.

(99) If one market including **Automotive HEX materials for tubes** were defined, then the Transaction would give rise to an affected market. The market investigation showed mixed results regarding how competitive this market was: although customers considered that the supply of Automotive HEX materials for tubes is not particularly competitive, the majority of competitors did consider it somehow competitive.[131]

**Table 7. Market shares for Automotive HEX tubes' materials (EEA-2018)**

| | SALES [MT] | SHARE [%] | MARKET SIZE [MT] |
|---|---|---|---|
| **Gränges** | […] | [20-30]% | [100 000-120 000] |
| **Impexmetal** | […] | [5-10]% | |
| **Combined** | **[…]** | **[30-40]%** | |
| **Aleris** | […] | [10-20]% | |
| **AMAG** | […] | [10-20]% | |
| **Constellium** | […] | [10-20]% | |
| **Hydro** | […] | [10-20]% | |
| **Others** | […] | [10-20]% | |

*Source: prepared by the Commission based on information from the Form CO*

(100) However, on balance, the Commission finds the Transaction not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX material for tubes because of the following reasons: (i) the Transaction will give rise to moderate market shares; (ii) there would remain several (actual and potential) suppliers in the market; (iii) competitors are likely to increase their supply should prices increase.

(101) First, based on the Parties' estimates in Section 7.2 above, the combined share of the Parties in all Automotive HEX tubes materials in 2018 would be limited to [30-40]% in the EEA. Further, as was discussed in Section 7.2 above, suppliers have idle capacity that could be used to further expand their materials for tubes' production. This has been confirmed in the market investigation, where some competitors could increase production of Automotive HEX materials in reaction to an increase in demand in the EEA.[132]

(102) Second, several (actual and potential) suppliers would remain in the market. The data provided by the Notifying Party and the results of the market investigation indicate that the competitive landscape in the market for Automotive HEX materials for tubes is characterised by a number of strong global players, which are active across the EEA. The merged entity will continue to face strong competitive pressure from strong players such as Aleris ([10-20]%), Constellium ([10-20]%), Hydro ([10-20]%) and other smaller players as well as imports from South Africa and China

(103) Lastly, competitors are likely to increase their supply should prices increase. The market investigation results have shown that the majority of competitors who

131 Questionnaire to customers, question D.A.1; questionnaire to competitors, question D.A.1.

132 Questionnaire to competitors, question D.D.7.

expressed an opinion on this point would increase production of Automotive HEX materials for tubes in the event of a 5-10% price increase.[133] Moreover, several suppliers anticipate that new suppliers might enter the market for the supply of Automotive HEX materials for tubes in the next three years.[134]

(104) Based on the considerations in paragraphs (98) to (103) and in light of the results of the market investigation and of all evidence available to it, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect to the market for Automotive HEX tubes in the EEA.

7.4.2.2. Plausible market of Automotive HEX materials for fins overall – horizontal non-coordinated effects

(105) The Transaction is not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials for fins overall for the reasons set out below.

(106) If one single market including **all Automotive HEX fin materials** were defined, then the Transaction would give rise to an affected market. The market investigation has pointed at certain barriers to entry such as, for example, the cost, time and approval needed for validation of additional materials/suppliers and the current imports may be affected by further duties imposed to them.

**Table 8. Market shares for all Automotive HEX fins' materials (EEA - 2018)**

| | SALES [MT] | SHARE [%] | MARKET SIZE [MT] |
|---|---|---|---|
| **Gränges** | […] | [20-30]% | [90 000-110 000] |
| **Impexmetal** | […] | [5-10]% | |
| **Combined** | **[…]** | **[20-30]%** | |
| **Alinvest** | […] | [10-20]% | |
| **Hydro** | […] | [5-10]% | |
| **Eurofoil** | […] | [5-10]% | |
| **Arconic** | […] | [5-10]% | |
| **Novelis** | […] | [5-10]% | |
| **Aleris** | […] | [5-10]% | |
| **Teknik Aluminium (Assan)** | […] | [5-10]% | |
| **Alcha** | […] | [5-10]% | |
| **Elval** | […] | [0-5]% | |
| **Others** | […] | [5-10]% | |

*Source: prepared by the Commission based on information from the Form CO*

133 Questionnaire to competitors, question D.D.2.

134 Questionnaire to competitors, question D.D.4.

(107) However, on balance, the Commission finds the transaction not likely to raise serious doubts in relation to the EEA-wide market for the supply of all Automotive HEX fin materials because of the following reasons.

(108) First, based on the Parties' estimates in Section 7.2 above, the combined share of the Parties in all Automotive HEX materials for fins in 2018 would be limited to [20-30]% in the EEA. The Automotive HEX materials for fins market is likely not to increase in the following years since a large majority of customers that responded in the market investigation stated[135] that they do not intend to or are unsure as whether they will increase their demand for overall fins for the next 3 years.

(109) Second, several (actual and potential) suppliers would remain in the market. The data provided by the Notifying Party and the results of the market investigation indicate that the competitive landscape in the market for Automotive HEX materials for fins overall is characterised by a number of strong global players, which are active across the EEA. The merged entity will continue to face strong competitive pressure from strong players such as as Alinvest ([10-20]%), Hydro ([5-10]%), Eurofoil ([5-10]%), Arconic ([5-10]%), Aleris ([5-10]%), Elval ([0-5]%) as well as imports from Turkey, South Africa and China.

(110) Third, Gränges and Impexmetal are not close competitors in all Automotive HEX fin materials as Gränges is specialised in more high-end quality products than Impexmetal.[136]

(111) Forth, even though competitors there are barriers to entry the Automotive HEX fin materials market in terms of investment in production machinery, know-how and the validation process with customers, the majority of competitors answered they would increase the production of material for fins in the event of a price increase of 5-10%[137] and, as Table 2 above shows it, they would have spare capacity they can use in case of necessity.

(112) Based on the considerations in paragraphs (107) to (111) and in light of the results of the market investigation and of all evidence available to it, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect to the market for all Automotive HEX fins in the EEA.

(A) Plausible market of Automotive HEX materials for clad fins

(113) The Transaction is not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials for clad fins for the reasons set out below.

(114) If one single market for **Automotive HEX clad fin materials** were defined, then the Transaction would give rise to an affected market. The market investigation has pointed at certain barriers to entry such as, for example, the cost, time and approval needed for validation of additional materials/suppliers and the current imports may

135 Questionnaire to customers, question D.D.5.

136 Questionnaire to customers, question D.A.2.

137 Questionnaire to competitors, question D.D.2.

be affected by further duties imposed to them. There were market participants that pointed out the strong position of the Parties, given their combined market shares.[138]

**Table 9. Market shares for Automotive HEX clad fins' materials (EEA-2018)**

| | SALES [MT] | SHARE [%] | MARKET SIZE [MT] |
|---|---|---|---|
| **Gränges** | […] | [40-50]% | [10 000-20 000] |
| **Impexmetal** | […] | [10-20]% | |
| **Combined** | **[…]** | **[60-70]%** | |
| **Hydro** | […] | [10-20]% | |
| **Elval** | […] | [10-20]% | |
| **Huafon** | […] | [10-20]% | |

*Source: prepared by the Commission based on information from the Form CO*

(115) However, on balance, the Commission finds the Transaction not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX clad fin materials because of the following reasons.

(116) First, even though the Parties' combined share in the sale of Automotive HEX for clad fin materials in 2018 is [60-70]% in the EEA, demand for Automotive HEX for clad fins has been structurally decreasing due to alternative designs to meet the same applications. The car manufacturers that responded in the market investigation argued that they already use both types of designs for their condensers (design with (i) clad fins + unclad tubes and design with (ii) unclad fins + clad tubes) and are considering a third one that does not use Automotive HEX materials (Water Cooler Condenser).

(117) Therefore, as the market investigation showed, there is a trend for condenser designs to move toward the use of the combination of unclad fins and clad tubes, for cost and corrosion reasons.[139] This market shift view is also sustained by competitors as one stated: '*There has been a technology shift in Automotive HEX, where the condenser application (the main application for clad fin usage) has increasingly changed from an extruded tube and clad fin, to an roll formed and brazed tube using clad tube material combined instead with unclad fin. The reason for the shift is the total cost for the customer is lower. This means that the clad fin market volume demand has decreased, while the technical demands on clad fin is constantly increasing*'.[140]

(118) Moreover, customers do not expect any increase in demand for the years to come.[141] This trend might be also reinforced by the COVID-19 crisis as competitors argue: '*Market demand is currently down with 30 – 40%*', '*slow demand ....and slow restart due to COVID 19*'.[142] As a customer stated that demand for clad fins is low: '*[...]'s*

138 Questionnaire to competitors, question D.A.2.1, Questionnaire to customers, question D.E.2.1.

139 Responses of car manufacturers to the requests for information from 3 September 2020 and 2 September 2020.

140 Questionnaire to competitors, question D.E.3.1.

141 Questionnaire to customers, question D.D.5.

142 Questionnaire to competitors, question E.3.1.

*requirements for clad finstock in […] Europe are quite low (less than 3% of our FRP usage), so very few new RFQ have been sent in the last year*'.[143]

(119) Second, several (actual and potential) suppliers would remain in the market. The merged entity will continue to face strong competitive pressure from strong players such as Hydro and Elval ([10-20]%), as well as imports from South Africa and China. There would still remain enough competitive pressure on the market as one competitor stated: '*Suppliers that focus on thinner products like clad fin, unclad fin, and clad tube to some extent have a relatively small market volume to compete for. These products are niche products in the FRP industry, and normally suppliers combine this business with other foil type of products to be able to reach positive contribution. There are still enough suppliers to generate low market prices for these niche products, and even if the clad fin product is higher priced due to fewer supply alternatives, the total market volume is low*.'[144]

(120) Third, as Table 2 above shows, there is spare capacity that could be used to increase clad fins' production. Despite the barriers to entry in the Automotive HEX material for clad fins market in terms of investment in production machinery, know-how and the validation process with customers, there are interested competitors that would increase the production of material for clad fins in the event of a price increase of 5-10%.[145]

(121) Fourth, customers would still have enough ability to switch to other suppliers as the results of the market investigation indicate: most customers see Alcha and Huafon as potential alternatives for their demand, but a large minority of customers also consider Arconic, Assan and Hydro.[146] Yinbang and Elval were also pointed out as possible suppliers.[147] Even the Notifying Party argues that it lost sales to [Gränges' volume loss to a competitor in 2013-2014 and 2019].[148]

(122) Fifth, Gränges and Impexmetal are not close competitors in the market for Automotive HEX materials for clad fins as the Parties' products are substantially differentiated. Gränges supplies the more advanced multi-clad products than Impexmetal, such as [an example of Gränges' multiclad clad fin products and the volume sold thereof], which represents […] of Gränges' sales within clad fins.[149]

(123) Lastly, even though the customers perceive the clad fins market to be less competitive compared to other Automotive HEX categories, the majority of customers consider[150] that clad fin prices did not evolve differently from the prices of the other aluminium FRPs for Automotive HEX in the past 3 years.

(124) Based on the considerations in paragraphs (116) to (123) and in light of the results of the market investigation and of all evidence available to it, the Commission concludes that the Transaction does not give rise to serious doubts as to its

143 Questionnaire to customers, question D.D.4.2.
144 Questionnaire to competitors, question E.3.2.
145 Questionnaire to competitors, question D.D.2.
146 Questionnaire to customers, question D.D.4.
147 Questionnaire to customers, question D.D.4.1.
148 Form CO, paragraph 293.
149 Form CO, paragraph 295.
150 Questionnaire to customers, question D.E.3.

compatibility with the internal market or the functioning of the EEA Agreement with respect to the market for Automotive HEX for clad fins in the EEA.

(B) Plausible market of Automotive HEX materials for unclad fins

(125) The Transaction is not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX materials for unclad fins for the reasons set out below.

(126) If one single market for **Automotive HEX for unclad fin materials** were defined, the Transaction would give rise to an affected market. The market investigation has pointed at certain barriers to entry such as, for example, the cost, time and approval needed for validation of additional materials/suppliers and the current imports may be affected by further duties imposed to them.

**Table 10. Market shares for Automotive HEX unclad fins' materials (EEA - 2018)**

| | SALES [MT] | SHARE [%] | MARKET SIZE [MT] |
|---|---|---|---|
| **Gränges** | […] | [10-20]% | [80 000-100 000] |
| **Impexmetal** | […] | [5-10]% | |
| **Combined** | **[…]** | **[20-30]%** | |
| **Alinvest** | […] | [10-20]% | |
| **Eurofoil** | […] | [5-10]% | |
| **Hydro** | […] | [5-10]% | |
| **Arconic** | […] | [5-10]% | |
| **Novelis** | […] | [5-10]% | |
| **Aleris** | […] | [5-10]% | |
| **Teknik Aluminium (Assan)** | […] | [5-10]% | |
| **Alcha** | […] | [5-10]% | |
| **Alcomet** | […] | [0-5]% | |
| **Wuxi Yinbang** | […] | [0-5]% | |
| **Elval** | […] | [0-5]% | |
| **Huafon** | […] | [0-5]% | |
| **Dongyangguang** | […] | [0-5]% | |
| **Nantong Hengjin** | […] | [0-5]% | |

*Source: prepared by the Commission based on information from the Form CO*

(127) However, on balance, the Commission finds the Transaction not likely to raise serious doubts in relation to the EEA-wide market for the supply of Automotive HEX for unclad fin materials because of the following reasons.

(128) First, based on the Parties' estimates in Section 7.2 above, the combined share of the Parties in Automotive HEX for unclad fin materials in 2018 would be limited to [20-30]% in the EEA. The Automotive HEX unclad fins market is not likely to increase in the future as a large majority of customers that responded in the market

investigation stated[151] that they do not intend to or are unsure as to whether they will increase their demand for unclad fins in the next 3 years.

(129) Second, several (actual and potential) suppliers would remain in the market. The data provided by the Notifying Party and the results of the market investigation indicate that the competitive landscape in the market for Automotive HEX materials for unclad fins is characterised by a number of strong global players, which are active across the EEA. The merged entity will continue to face strong competitive pressure from strong players such as Alinvest ([10-20]%), Eurofoil ([5-10]%), Hydro ([5-10]%), Arconic ([5-10]%) amongst others and as well as imports from Turkey, South Africa and China. The results of the market investigation revealed that there are suppliers that most customers would consider as potential alternatives for their demand:[152] Alcha, Alinvest, Eurofoil and also[153] Elval, Huafon, Yinbang and Alu-Slim/Grupporeco.

(130) Further, and as shown in Table 2 above, there are no capacity constraints, and spare capacity can be mobilised where needed. So, despite the smaller share of supply of some of the competitors mentioned above, these have spare capacity and some of them plan to further increase capacity in the near future, or are undergoing current plans for capacity increases, for example Elval, AMAG, Alro and Alcomet.[154]

(131) Third, unclad fins are standardised products, which makes it easier to switch suppliers. Further, the market investigation results have shown that for unclad fins the barriers to entry are low. A competitor mentioned that the '*barriers to entry are low provided the rolling infrastructure (gauge capability at cold mill) is in place*'[155] and a customer stated: '*Unclad fins for HEX are more and more produced via the Continuous Casting Process with subsequent cold rolling to final thickness. This process is very price competitive and produces fin materials with good forming behaviour and superior corrosion properties*.'[156]

(132) Fourth, Gränges and Impexmetal are not close competitors in Automotive HEX materials for unclad fins as Gränges is specialised in more high end quality products than Impexmetal.[157]

(133) Fifth, the majority of competitors answered that they would increase the production of material for unclad fins in the event of a price increase of 5-10%[158] and, as Table 2 above shows, they would have spare capacity they can use in case of necessity.

(134) Based on the considerations in paragraphs (128) to (133) and in light of the results of the market investigation and all evidence available to it, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect to the market for Automotive HEX for unclad fins in the EEA.

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151 Questionnaire to customers, question D.D.5.

152 Questionnaire to customers, question D.D.3.

153 Questionnaire to customers, question D.D.3.1.

154 Questionnaire to competitors, question D.D.7 and minutes of a call with a competitor of 12 March 2020, paragraph 19, Form CO, table 20.

155 Questionnaire to competitors, question D.D.5.

156 Questionnaire to customers, question B.5.1

157 Questionnaire to customers, question D.A.2.

158 Questionnaire to competitors, question D.D.2.

*7.4.3. Final conclusion of the competitive assessment*

(135) Based on the considerations included in paragraphs (87) to (134) above and in light of the results of the market investigation and of all evidence available to it, the Commission considers that the Transaction will not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement with respect to horizontal non-coordinated effects under any plausible market definition.

## 8. CONCLUSION

(136) 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*
*Executive Vice-President*