



EUROPEAN COMMISSION  
DG Competition

***Case M.11150 - VERSALIS / NOVAMONT***

Only the English text is available and authentic.

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

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Article 6(1)(b) NON-OPPOSITION  
Date: 28/09/2023

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EUROPEAN COMMISSION

Brussels, 28.9.2023  
C(2023) 6647 final

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Versalis S.p.A.  
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Italy

**Subject:**      **Case M.11150 – VERSALIS / NOVAMONT**  
**Commission decision pursuant to Article 6(1)(b) of Council Regulation**  
**No 139/2004<sup>1</sup> and Article 57 of the Agreement on the European Economic**  
**Area<sup>2</sup>**

Dear Sir or Madam,

- (1) On 25 August 2023, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Versalis S.p.A. (Versalis, Italy) will acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of the whole of Novamont S.p.A. (Novamont, Italy) and sole control over Matrica S.p.A. (Matrica, Italy)<sup>3</sup> (Versalis is referred to hereinafter as the ‘Notifying Party’ and Versalis and Novamont are referred to hereinafter as the ‘Parties to the proposed transaction’). The proposed transaction takes place by way of purchase of shares (the ‘Transaction’).

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<sup>1</sup> 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.

<sup>2</sup> OJ L 1, 3.1.1994, p. 3 (the ‘EEA Agreement’).

<sup>3</sup> Publication in the Official Journal of the European Union No C 315, 5.9.2023, p. 9.

## **1. THE PARTIES**

- (2) Versalis, wholly owned and controlled by ENI S.p.A. (ENI, Italy), is active in the fields of basic and intermediate chemicals, plastics, rubber and chemicals from renewable sources with production plants in the EEA, UK and South Korea. ENI is the ultimate parent company of the ENI group active mainly in the exploration, development and extraction of oil and natural gas, production and sale – at wholesale and retail level – of fuels, biofuels, lubricants and chemicals, and the procurement, supply, trading and transportation of oil, natural gas, liquified natural gas and electricity.
- (3) Novamont, indirectly jointly controlled by Neuberger Berman Group, LLC (US) and Investitori Associati II S.A. in liquidation (Luxembourg), is active in the production of bioplastics and in the development of bioproducts and biochemicals from renewable resources with production facilities in the EEA and US.
- (4) Versalis and Novamont currently each own 50% of the share capital of the joint venture Matrica established on 13 June 2011 between Versalis and Novamont. Matrica's products are derived entirely from renewable resources on the basis of new technologies with low environmental impact that aim to use the molecular complexity of the vegetable raw material to produce chemicals with high added value. Matrica employs a process for the transformation of vegetable oils into mono and dicarboxylic acids and esters, making it possible to obtain high-purity products.

## **2. THE CONCENTRATION**

- (5) Pursuant to a share purchase agreement executed on 27 April 2023, Versalis will acquire 64% of the share capital in, and thus sole control over, Novamont. Versalis already owns a non-controlling minority participation of 36% of the share capital of Novamont. Versalis will thereby also acquire sole control over the common joint venture of Novamont and Versalis, Matrica.
- (6) The Transaction therefore constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **3. UNION DIMENSION**

- (7) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (ENI EUR 143 256 million and Novamont EUR 404 million)<sup>4</sup>. Each of them has a Union-wide turnover in excess of EUR 250 million (ENI EUR [50 000 – 100 000] million and Novamont EUR [300-400] million), but they do not achieve more than two-thirds of their aggregate Union-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

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<sup>4</sup> Turnover calculated in accordance with Article 5 of the Merger Regulation.

## 4. COMPETITIVE ASSESSMENT

### 4.1. Horizontal assessment

- (8) Novamont is active in production of bioplastics through the following main brands: (i) ‘Mater-Bi’, a family of biodegradable and compostable bioplastics which is Novamont’s core product which consists around 80 polymers (also designated as a ‘compound’), (ii) ‘Origo-Bi’, a family of biodegradable polyesters generated in the process for manufacturing Mater-Bi, (iii) ‘Matrol-Bi’, a line of biolubricants obtained from renewable resources, (iv) ‘Celus-Bi’, a family of ingredients for the cosmetic sector made from renewable raw materials and (v) ‘Ager-Bi’ phytosanitary products for agricultural use.
- (9) ENI, with its subsidiaries including Versalis, are not active in the bioplastics sector, with the partial and limited exceptions of [...].
- (10) Both Versalis and Novamont are active in the development of bioproducts and biochemicals from renewable resources, without giving rise to affected markets.

#### 4.1.1. Market definition

- (11) In the absence of precedents concerning different sorts of bioplastics,<sup>5</sup> the Parties to the transaction presented alternative potential product market definitions for the markets on which their activities overlap or where a vertical link may exist. Under these plausible market definitions, the Transaction results in overlaps for a number of markets. The overlaps that do not give rise to affected markets will not be discussed in this decision.
- (12) The only potential affected product market would be the one encompassing only bioplastics. The Notifying Party considers this potential market to be at least EEA-wide since: (i) the Commission’s precedent for carboxylic acids, used as an input for bioplastics, defines the market EEA-wide<sup>6</sup>, (ii) Novamont is active in several countries in Europe and (iii) based on Novamont’s estimates, imports from extra-EU countries represent around 25% of EU bioplastics consumption.<sup>7</sup>
- (13) The Notifying Party confirms that the increment brought by the Transaction in the indicated potential market for bioplastics is less than [0-5]% at either worldwide, EEA or Italian level.
- (14) Feedback from the market investigation indicated that bioplastics could be separated from the market for fossil-based plastics due to the price differential and that the market for bioplastics could be larger than national in scope since market participants purchase even from non-EEA suppliers.<sup>8</sup>
- (15) The Commission considers that, for the purposes of this Decision, the product and geographic market definitions for bioplastics can be left open, as the Transaction does not raise serious doubts as to its compatibility with the internal market or the

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<sup>5</sup> The only limited exception is case M.7115 – KURARAY / GLSV BUSINESS where the Commission identified a separate product or segment for a single biodegradable polymer.

<sup>6</sup> Case M.3056 – CELANESE / DEGUSSA / JV (EUROPEAN OXO CHEMICALS), para 170.

<sup>7</sup> Short Form CO, para 209.

<sup>8</sup> Non-confidential minutes of the call with a customer of 18 August 2023, para 8 and Non-confidential minutes of the call with a customer of 10 August 2023, para 9 and para 14.

functioning of the EEA Agreement, under any of the plausible alternative product and geographic market definitions.

#### 4.1.2. *Assessment*

- (16) Novamont is estimated to have a market share concerning different sorts of bioplastics in the EEA between [10-20]% and [30-40]% depending on different market sizes estimates from third party intelligence reports, which possibly also encompass bio-based non-biodegradable plastics.
- (17) Versalis is currently carrying out research and development activities related to [...].
- (18) The Notifying Party argues that no horizontal overlap between the Parties will be generated by the Transaction since Versalis is not currently active in the bioplastics sector to any meaningful extent.
- (19) The Commission considers that, given the very limited presence in the production of bioplastics by Versalis, the horizontal overlap of the Parties to the proposed transaction in bioplastics is currently very low, with an increment of less than [0-5]% in the EEA.
- (20) The overlap is also foreseen to remain negligible in the near future [...].
- (21) The Commission therefore considers that the Transaction does not give rise to serious doubts regarding its compatibility with the internal market or the functioning of the EEA Agreement as a result of the horizontal overlaps under all plausible market and geographic definitions for bioplastics.

#### 4.2. **Vertical links**

- (22) Post-Transaction, Matrica will switch from being jointly controlled by its customer Novamont, to be solely controlled by Versalis.

##### 4.2.1. *Upstream market for carboxylic acids (including azelaic acid)*

- (23) Matrica produces azelaic acid which is a saturated dicarboxylic acid with formula C<sub>9</sub>H<sub>16</sub>O<sub>4</sub>.
- (24) The Commission considered that a single market may be identified for all carboxylic acids and that such relevant market is at least EEA-wide.<sup>9</sup>
- (25) The Parties agree with the Commission's precedent and argue that even considering a potential narrower market for dicarboxylic acids, azelaic acid is generally substitutable with a number of other inputs.

##### 4.2.2. *Downstream market*

- (26) Azelaic acid is purchased by Novamont from Matrica and is used for manufacturing grades of Mater-Bi with higher bio-based contents that are

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<sup>9</sup> Case M.3056 – CELANESE / DEGUSSA / JV (EUROPEAN OXO CHEMICALS), para 170.

specifically used for manufacturing bags (and especially Very Light Plastic Bags - VLPBs<sup>10</sup>).

- (27) Mater-Bi is Novamont's trademark for its compound that is used for manufacturing:
- (a) Carrier bags: Mater-Bi is mainly used for the production of biodegradable and compostable (i) lightweight shopping bags; (ii) fruit and vegetable bags (also named 'ultra-light bags'); as well as (iii) waste bags;
  - (b) Agriculture: products based on Mater-Bi in this area are: (i) mulching cloths; (ii) pheromones dispensers for mating disruption; and (iii) compostable clip;
  - (c) Foodservice: in this sector, Mater-Bi is used for producing bioplastic cutlery, cups, straws, dishes<sup>11</sup>.
- (28) The Parties consider as conservatively defined downstream markets the narrowest potential markets giving rise to affected markets, i.e., those for the supply of bioplastics input for manufacturing, respectively, (i) waste bags, (ii) VLPBs and (iii) lightweight carrier plastic bags ('LPBs')<sup>12</sup> in the EEA. For completeness, the Parties provided also information with regard to Italy, France and Spain separately due to the different regulatory contexts in the transposition of the Directive 2015/720.
- (29) In view of its past decision, the Commission agrees with considering the azelaic acid as the narrowest plausible segmentation of the market for dicarboxylic acids for the upstream market at the EEA level. In line paragraph (15) of this decision, the Commission further considers that the supply of specific compounds of bioplastics as an input for manufacturing waste bags, VLPBs and LPBs could constitute the narrowest possible segmentation of the downstream market at the EEA level.
- (30) For the purposes of this Decision, the product and geographic market definitions of the upstream and downstream products can be left open, as the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement, under any of the plausible product and geographic market definitions.

#### 4.2.3. Parties' views

- (31) Matrica is a supplier to Novamont of only one input (i.e., azelaic acid), which is used in the production process of 'Origo-Bi' / 'Mater-Bi' bioplastics.<sup>13</sup>
- (32) The Parties estimate Matrica's share in the EEA market of carboxylic acids to be [0-5]%. Its share would be equally low when considering a potential narrower

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<sup>10</sup> As defined in the Directive 2015/720 of the European Parliament and of the Council of 29 April 2015 amending Directive 94/62/EC as regards reducing the consumption of lightweight plastic carrier bags (OJ L 115, 6.5.2015, p. 11) (Plastic Bags Directive): '*...plastic carrier bags with a wall thickness below 15 microns which are required for hygiene purposes or provided as primary packaging for loose food when this helps to prevent food wastage...*'.

<sup>11</sup> Short Form CO, para 13.

<sup>12</sup> Defined as plastic carrier bags with a wall thickness below 50 microns in the EU Directive 2015/720.

<sup>13</sup> Short Form CO, para 160.

market for dicarboxylic acid. The Parties consider that, in a hypothetical segment of azelaic acid, Matrica's market share by production would be below 20%.<sup>14</sup>

- (33) The Parties provide Novamont's market share both at the EEA and national basis for the production of bioplastics for waste bags, VLPBs and LPBs, included in Table 1.

**Table 1 – Market share of Novamont in bioplastics by value/volumes in 2022**

	EEA	Italy	France	Spain
Waste bags	[20-30]%	[10-20]%	[0-5]%	<b>[30-40]%</b>
VLPB	<b>[60-70]%</b>	<b>[70-80]%</b>	[20-30]%	<b>[30-40]%</b>
LPB	<b>[30-40]%</b>	<b>[50-60]%</b>	[0-5]%	[5-10]%

Source: Short Form CO, page 99-100

- (34) The Parties argue that the Transaction is not capable of leading to serious doubts as regards its compatibility with the internal market or the functioning of the EEA Agreement primarily as:
- (a) Matrica is currently already vertically integrated, being jointly controlled by Novamont and Versalis, which actually plays a main role in its daily business operations;
  - (b) Matrica already sells about half of its production of azelaic acid to Novamont.
  - (c) As within the manufacturing process of bioplastics, the azelaic acid is fully substitutable by a number of other inputs, both bio and fossil-based, such as the succinic and sebacic acids (bio) and the adipic acid (fossil), which are widely available in the market (at similar or lower prices compared to the azelaic acid), any such vertical relationship cannot have any impact on market dynamics.<sup>15</sup>

#### 4.2.4. *The Commission's assessment of potential input foreclosure*

- (35) The Commission consider that the merged entity will not have ability to restrict access to this input to third party customers since: (i) Novamont currently procures all its acid azelaic requirement from Matrica, representing [40-50]% of Matrica's total production while Matrica sells already today [40-50]% of its production to third parties, (ii) the entire Matrica's production of azelaic acid represents at most [10-20]% of the relevant market according to the narrowest plausible definition, and (iii) Versalis already jointly controls Matrica.
- (36) Having regard to the fact that azelaic acid can be easily substituted by other fossil or non-fossil-based acids as explained above, the Commission considers that

<sup>14</sup> Based on third part study, considering azelaic acid as a separate market, Matrica had a market share [10-20]% based on production in 2020 and [20-30]% based on capacity in 2020. The Parties to the transaction confirmed that Matrica's current maximum capacity and production have not increased, and Matrica's competitors have not made any notable investments or divestments in their plants with regard to azelaic acid production capacity.

<sup>15</sup> Short Form CO, para 413.

Versalis will also have no incentive to restrict access to Matrica's production or increase its price, as potential customers can find substitutes.

- (37) On this basis, the Commission considers that post-Transaction the Parties will neither have the ability nor the incentive to foreclose inputs. The Commission therefore concludes that the Transaction will not lead to any vertical competition concerns in the form of input foreclosure.

#### 4.2.5. *The Commission's assessment of potential customer foreclosure*

- (38) Since Novamont currently sources all its needs of azelaic acid from Matrica, it has not been an important customer of any third party producer of azelaic or carboxylic acids. The Commission thus considers that the merged entity will not be able to foreclose access to a sufficient customer base to its actual or potential rivals on the upstream market (input market for azelaic or carboxylic acids) and reduce their ability or incentive to compete.
- (39) Furthermore, the Parties to the transaction confirmed that azelaic acid can be used for several other industries and applications including for the production of elements for bio-based lubricants, of polyesters and polyoils, polyamides and ingredients for the cosmetic sector.
- (40) On this basis, the Commission considers that post-Transaction the Parties will neither have the ability nor the incentive to engage in a customer foreclosure strategy. Therefore, the Commission concludes that the Transaction will not lead to any vertical competition concerns in the form of customer foreclosure.

### **4.3. Conclusion of the Commission's assessment**

- (41) Given the above and based on the fact that other market participants did not raise concerns during the market investigation, the Commission considers that Transaction is not likely to bring about any material adverse change and it does not raise serious doubts as to its compatibility with the internal market in relation to the horizontal and vertical link between the supply of azelaic acid (upstream) and the supply of waste bags, VLPBs and LPBs (downstream).

## **5. CONCLUSION**

- (42) For the above reasons, the European Commission has decided not to oppose the concentration 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)*  
*Didier REYNDERS*  
*Member of the Commission*