MEDIA RELEASE

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CCCS Clears Proposed Joint Venture between Baker Hughes Company and Akastor ASA

1. The Competition and Consumer Commission of Singapore ("**CCCS**") has cleared the proposed acquisition of joint control by Baker Hughes Company ("**Baker Hughes**") and Akastor ASA ("**Akastor**") (collectively, the "**Parties**") of a proposed joint venture ("**Proposed JV**") company which will combine Baker Hughes's Subsea Drilling Services ("**SDS**") business and Akastor's subsidiary MHWirth AS ("**MHWirth**") (the "**Proposed Transaction**").

2. Following its assessment, CCCS has concluded that the Proposed Transaction, if carried into effect, will not infringe the section 54 prohibition of the Competition Act (Cap. 50B) (the "**Act**").

Background

3. CCCS accepted an application from the Parties on 16 June 2021 for a decision on whether the Proposed Transaction would infringe section 54 of the Act, which prohibits mergers which have resulted, or may be expected to result, in a substantial lessening of competition within any market in Singapore.

<u>Baker Hughes</u>

4. Baker Hughes, based in the United States of America, is a global provider of integrated oilfield products, services, and digital solutions that enhance productivity, minimise risks and lower costs across the entire spectrum of oil and gas development, i.e. upstream (evaluation, drilling, completion and production), midstream (liquefied natural gas, pipeline and storage) and downstream (refinery and petrochemical solutions).[1]

[1] The references to "upstream", "midstream" and "downstream" in this paragraph are industry jargon used to describe the three major stages of oil and gas industry operations, which should be distinguished from the "upstream" and "downstream" markets referenced in the competition assessment.

5. Baker Hughes will contribute its SDS business consisting of equipment for drilling rigs, notably pressure control equipment (blow out preventers ("**BOP**")[2] and BOP control systems, wellhead connectors and diverters) as well as marine drilling risers[3] to the joint venture.

<u>Akastor</u>

6. Akastor is an investment company based in Norway with a portfolio of companies in the oilfield services sector in addition to other smaller-sized holdings.

7. Akastor will contribute its wholly owned subsidiary MHWirth to the joint venture. MHWirth supplies topside drilling equipment[4] and marine drilling risers and has limited activities within non-oil segments. In addition, MHWirth will contribute its drilling waste management services through its subsidiary STEP Oiltools BV.

CCCS's Assessment

8. CCCS conducted a public consultation from 16 June 2021 to 6 July 2021, and contacted 56 stakeholders, including the competitors and customers of the Parties, for their views.

<u>Relevant Market Affected by the Proposed Transaction</u>

9. CCCS determined that while it is not necessary to conclude on a precise market definition, the relevant market which would serve as a useful reference for its assessment of the Proposed Transaction is the global supply of marine drilling risers to customers worldwide including (i) aftermarket services and spare parts for marine drilling risers and (ii) marine drilling riser accessories ("**Relevant Market**").

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[2] A BOP is a large, high-pressure safety valve or similar mechanical device used to manage wellbore pressure and the flow of well fluids during drilling, and to prevent the uncontrolled flow of liquids and gases during drilling operations.
[3] Marine drilling risers are used on offshore floaters and connect the topside with the pressure control equipment on the seabed.
[4] The topside refers to the structure on the offshore drilling unit that sits above sea level that conducts the drilling operation and process, i.e. lowers, operates and subsequently retrieves all submersible drilling equipment.

Competition Assessment for the Relevant Market

10. CCCS found that the combined market shares of the Parties in the Relevant Market range from 20 – 40% while the post-merger combined market share of the three largest firms (CR3) is over 70%.[5]

11. Further, the barriers to entry to the Relevant Market are high and it is unlikely that there will be a potential new entrant in the near term. In addition, while large customers would likely have some buyer power, there is insufficient evidence to conclude whether other customers have buyer power in the Relevant Market to constrain the Parties following the Proposed Transaction.

12. However, CCCS also found that:

a. The Parties are unlikely to be each other's closest competitor in the Relevant Market and will continue to face competitive constraints from at least two other large global suppliers whom the Parties compete closely with;

b. There is currently over-capacity in the market for the supply of marine drilling risers globally, and existing suppliers of marine drilling risers are likely to be able to expand their capacity quickly to act as an important competitive constraint on the Parties post-Proposed Transaction;

c. Marine drilling risers supplied by the suppliers are generally substitutable at the point of purchase, and customers do not foresee nor face any difficulty in switching suppliers for different drilling rigs should they wish to do so post-Proposed Transaction;

d. While market concentration in the Relevant Market will be high post-Proposed Transaction, information available does not indicate that the Proposed Transaction will result in collusion between competing suppliers due to limited price transparency in the Relevant Market as customers typically engage in separate negotiations with each marine drilling riser supplier on a project-by-project basis. Purchases of marine drilling risers also tend to be sporadic and infrequent; and

e. Post-Proposed Transaction, the Proposed JV is unlikely to have the ability and/or incentive to foreclose competition whether in the upstream

[5] Paragraph 5.15 of *CCCS Merger Guidelines*. CCCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless the merged entity has a market share of 40% or more, or the merged entity has a market share of between 20% to 40% and the post-merger combined market shares of the 3 largest firms ("**CR3**") is 70% or more.

markets for the global supply of each component of the pressure control equipment or in the downstream market for the global supply of complete drilling equipment packages for floaters[6] and non-floaters[7]. First, the Proposed JV is unlikely to have the ability and/or incentive to restrict access to the components of the pressure control equipment[8] for use in complete drilling equipment packages for floaters and non-floaters (i.e. input foreclosure to competitors in the downstream market) as Baker Hughes' market shares in the global supply of each component of the pressure control equipment is either not high or not an essential input. Second, given MHWirth's low market shares in the global supply of complete drilling equipment packages for floaters and non-floaters, MHWirth is unlikely to be a significant buyer of pressure control equipment, and the Proposed JV is unlikely to have the ability and/or incentive to foreclose competition in the upstream markets (i.e. customer foreclosure) for the global supply of each component of the pressure control equipment post-Proposed Transaction.

13. Further information on the notification and CCCS's Grounds of Decision will be made available in due course on CCCS's Public Register at www.cccs.gov.sg.

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[6] Floaters refer to semi-submersibles and drillships.
[7] Non-floaters refer to jack-ups and platform rigs.
[8] The pressure control equipment comprises of (a) BOPs and BOP control systems for floaters and non-floaters, (b) wellhead connectors for floaters, and (c) diverters for floaters and non-floaters.

About the Competition & Consumer Commission of Singapore

The Competition and Consumer Commission of Singapore ("CCCS") is a statutory board of the Ministry of Trade and Industry. CCCS administers and enforces the Competition Act (Cap. 50B) which empowers CCCS to investigate and adjudicate anti-competitive activities, issue directions to stop and/or prevent anti-competitive activities and impose financial penalties. CCCS is also the administering agency of the Consumer Protection (Fair Trading) Act (Cap. 52A) or CPFTA which protects consumers against unfair trade practices in Singapore. Our mission is to make markets work well to create opportunities and choices for business and consumers in Singapore.

For more information, please visit www.cccs.gov.sg.

For media clarifications, please contact:

Ms. Grace Suen
Senior Assistant Director (Communications)
Competition & Consumer Commission of Singapore
Email: grace_suen@cccs.gov.sg
DID: 6325 8216

Ms. Nawwar Syahirah
Senior Assistant Director (Communications)
Competition and Consumer Commission of Singapore
Email: nawwar_syahirah@cccs.gov.sg
DID: 6325 8313