Section 57 of the Competition Act (Cap. 50B)

Grounds of Decision issued by the Competition and Consumer Commission of Singapore in relation to the Proposed Joint Venture between Baker Hughes Company and Akastor ASA

Date: 22 September 2021

Case number: CCCS 400/140/2021/005

Confidential information in the original version of this Decision has been redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [✂].

TABLE OF CONTENTS

I. INTRODUCTION

1. On 16 June 2021, Baker Hughes Company (“**Baker Hughes**") and Akastor ASA (“**Akastor**”) (collectively, the “**Parties**”) filed a joint notification pursuant to section 57 of the Competition Act (Cap. 50B) (the “**Act**”) for a decision by the Competition and Consumer Commission of Singapore (“**CCCS**”) on whether the acquisition of joint control by the Parties of a proposed joint venture company which will combine Baker Hughes’ Subsea Drilling Services (“**SDS**”) business and Akastor’s subsidiary MHWirth AS (“**MHWirth**”) (the “**Proposed Transaction**”) will infringe the section 54 prohibition of the Act, if carried into effect.

2. In reviewing the Proposed Transaction, CCCS contacted 21 competitors[1] and 32 customers[2] of marine drilling risers and/or aftermarket services and spare parts for marine drilling risers (collectively referred to as “**Third Parties**”). CCCS also sought information from [✂][3], as part of its review of the Proposed Transaction. Of the Third Parties contacted, 19 replied,[4] of which 15 provided substantive responses.[5] The Third Parties who responded indicated that they were neutral or have no competition concerns about the Proposed Transaction, with the exception of one competitor[6] who indicated that it had competition concerns about the Proposed Transaction. Specifically, the competitor provided feedback that the Proposed Transaction may make it more difficult for non-vertically integrated suppliers of marine drilling risers to compete.[7]

3. At the end of the consultation process and after evaluating all the information, including the Parties’ submissions and the feedback provided by Third Parties, CCCS, on balance, concludes that the Proposed Transaction, if carried into effect, will not infringe section 54 of the Act.

II. THE PARTIES

<u>Baker Hughes</u>

[1] Competitors: [✂]
[2] Customers: [✂]
[3] [✂]
[4] [✂]
[5] All except [✂].
[6] [✂]
[7] [✂] stated generally that joint ventures which involved vertical integration (e.g. [✂]) and joint collaborations (e.g. [✂]) would make it more difficult for smaller original equipment manufacturers to sell their equipment to the customers. See [✂]’s 12 August 2021 email response to CCCS’s 23 June 2021 Invitation to Comment.

4. Baker Hughes is a public company registered in Delaware, United States of America ("**USA**"). Baker Hughes is a global provider of integrated oilfield products, services and digital solutions across the spectrum of oil and gas development, i.e. upstream (evaluation, drilling, completion and production), midstream (liquified natural gas, pipeline and storage) and downstream (refinery and petrochemical solutions).[8]

5. In Singapore, through various subsidiaries, Baker Hughes historically services multiple Oilfield Equipment[9] ("**OFE**") product lines including SDS, Subsea Services & Offshore equipment, Subsea Production Systems, and Surface Pressure Control Products (including surface wellheads). It also has a presence in relation to Oilfield Services[10] ("**OFS**") in Singapore.[11]

6. Baker Hughes uses the trading name or business name of "Baker Hughes" in Singapore, and its registered entities in Singapore transact and contract under their registered entity names.[12]

7. Baker Hughes' worldwide and Singapore turnover for the financial year ended 31 December 2020 were US$ 20.7 billion (approximately S$ 27.4 billion)[13] and [✂][14] respectively.

<u>Akastor</u>

8. Akastor is an investment company registered in Lysaker, Norway.[15] Akastor has a portfolio of companies in the oilfield services sector, in addition to other smaller-sized holdings.[16] In addition to MHWirth, the portfolio of Akastor includes the following entities which cover a range of industrial holdings in the oilfield services

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[8] Paragraph 10.6 of Form M1. The Parties' references to "upstream", "midstream" and "downstream" in this context 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 competition assessment.
[9] The OFE segment provides a broad portfolio of products and services that are required to facilitate the safe and reliable control and flow of hydrocarbons from the wellhead to the production facilities.
[10] The OFS segment provides products and services for onshore and offshore operations across the lifecycle of a well, ranging from drilling, evaluation, completion, production, and intervention.
[11] [✂]. Paragraph 10.20 of Form M1; and Paragraph 5.1 of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.
[12] Paragraph 10.3 of Form M1; Paragraph 10.1 of Form M1 sets out a full list of Baker Hughes' registered entities in Singapore.
[13] Paragraph 13.1 of Form M1.
[14] Paragraph 13.3 of Form M1.
[15] Paragraphs 1.2 and 10.13 of Form M1.
[16] Paragraph 10.13 of Form M1.

sector, namely:[17] (i) AKOFS Offshore AS;[18] (ii) AGR AS;[19] (iii) Cool Sorption A/S;[20] and (iv) DDW Offshore AS.[21]

9. In Singapore, Akastor is mainly active through MHWirth's subsidiary, MHWirth (Singapore) Pte. Ltd, which functions as a regional office covering the Asia Pacific region, and which provides sales and aftermarket support in respect of marine drilling risers including overhauls and spare parts and simulator training for personnel. Step Oiltools BV ("**Step Oiltools**"), which is wholly-owned by Akastor, has an office in Singapore which provides corporate functions for the Step Oiltools group of companies.[22]

10. Akastor's trading names, business names and brand names include: "Akastor", "MHWirth" and "Step Oiltools".[23]

11. Akastor's worldwide and Singapore turnover for the financial year ended 31 December 2020 were NOK 4,577 million (approximately S$ 671 million)[24] and [✂][25] respectively.

<u>Relationship between Baker Hughes and Akastor</u>

12. The following links exist between Baker Hughes and Akastor:

    (a) Baker Hughes relies on channel partner agreements[26] to carry out aftermarket services, including for marine drilling risers, in the Asia Pacific region and the USA.[27] [✂].[28]

    (b) Baker Hughes and MHWirth had a [✂].[29]

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[17] Paragraph 10.16 of Form M1.
[18] AKOFS Offshore AS is a subsea well installation and intervention service provider.
[19] AGR AS delivers well, reservoir and software services to the offshore drilling industry.
[20] Cool Sorption A/S is a provider of vapour recovery units and systems.
[21] DDW Offshore AS operates five offshore vessels.
[22] The Step Oiltools group of companies distributes drilling waste management equipment and provides drilling waste management services. Paragraph 10.21 of Form M1.
[23] Paragraph 10.5 of Form M1.
[24] Paragraph 13.2 of Form M1.
[25] Paragraph 13.4 of Form M1.
[26] Channel partner agreements are agreements which involve a party collaborating with a partner (i.e. the channel partner) to distribute its product. See Paragraph 2.1 of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.
[27] Paragraph 9.1 of Form M1.
[28] Paragraph 9.1 of Form M1; Annexes 4 and 4A of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.
[29] [✂]. Paragraphs 9.2 and 24.10 of Form M1; Annex 1 of the Parties' 17 August 2021 response to CCCS's 3 August 2021 RFI; and Annex 5 of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.

III. THE PROPOSED TRANSACTION

Nature of the Proposed Transaction

13. Pursuant to a transaction agreement dated 2 March 2021 between Baker Hughes Holdings LLC (a subsidiary of Baker Hughes)[30] and Akastor, Baker Hughes and Akastor will each either directly or indirectly acquire joint control of the proposed joint venture (the "**Proposed JV**") on a 50/50 basis.[31]

14. As part of the Proposed Transaction, Baker Hughes' SDS business and Akastor's subsidiary, MHWirth, will be contributed to the Proposed JV.[32] Baker Hughes will contribute its SDS business consisting of equipment for drilling rigs,[33] notably pressure control equipment (consisting of blow out preventers ("**BOPs**")[34] and BOP control systems,[35] wellhead connectors[36] and diverters[37]) as well as marine drilling risers, to the Proposed JV.[38] Akastor will contribute its wholly-owned subsidiary, MHWirth, to the Proposed JV. MHWirth supplies topside drilling equipment[39] and marine drilling risers and has limited activity within non-oil segments. In addition, MHWirth will contribute to the Proposed JV its drilling waste management services through its wholly-owned subsidiary, Step Oiltools.[40]

Joint control

15. The Parties submitted that the Proposed Transaction will establish joint control between Baker Hughes and Akastor of the Proposed JV.[41]

Autonomous economic entity

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[30] Baker Hughes owns approximately 69.9% of Baker Hughes Holdings LLC. See Annex 6 of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.
[31] Paragraphs 8.6 and 11.2 of Form M1; paragraph 3.1 of the Parties' 3 June 2021 response to CCCS's 25 May 2021 RFI; clause (c) of Section 2.11 of Annex 5 to Form M1.
[32] Paragraph 8.7 of Form M1.
[33] Drilling rigs can be either offshore or onshore. Offshore drilling operations typically are performed from Mobile Offshore Drilling Units or from fixed drilling platforms.
[34] 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.
[35] BOP control systems differ based on whether they are used for sub-sea BOPs, or for platform rig-, jack-up- and onshore rig BOPs.
[36] Wellhead connectors connect the BOP stack to the wellhead.
[37] Diverters are mechanical devices used to close off and redirect the flow of fluids. Diverters serve as the final fail-safe for uncontrolled pressure events.
[38] Paragraph 10.11 of Form M1.
[39] 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.
[40] Paragraph 10.17 of Form M1.
[41] Paragraph 11.3.1 of Form M1.

16. According to the Parties, the Proposed JV will carry out all the same functions as other undertakings on the markets on which it will be active and operate independently of its parent companies on these markets. Notably, the Proposed JV will have its own management and access to sufficient resources, including finance, staff, and assets (tangible and intangible) in order to conduct its business activities.[42]

Function on a lasting basis

17. The Parties submitted that the Proposed JV is intended to operate on a lasting basis. In particular, the Proposed JV is intended to operate for an indeterminate period of time and is intended to be run as a long-lasting market operator.[43]

<u>Merger under section 54 of the Act</u>

18. Based on the Parties' submissions above, CCCS considers that the Proposed Transaction constitutes a merger pursuant to section 54(2)(b) of the Act.

IV. COMPETITION ISSUES

19. The Proposed JV will supply the following equipment and be active within the following markets: (a) marine drilling risers; (b) drilling waste management services; (c) digital solutions; (d) topside equipment; (e) pressure control equipment for (i) floaters and (ii) non-floaters (including jack-ups, platform rigs and onshore rigs); and (f) complete drilling equipment packages for (i) floaters, and (ii) offshore non-floaters (including jack-ups and platform rigs).[44]

20. However, the Parties submitted that the only horizontal overlap between their contributed activities is in the supply of marine drilling risers.[45] While the Parties provide aftermarket services and spare parts for their respective contributed businesses, the Parties submitted that these activities are ancillary to the provision of the equipment as neither the Parties nor their competitors compete for the servicing of other Original Equipment Manufacturers' ("**OEM**") equipment, and the supply of aftermarket services and spare parts and corresponding revenue streams are entirely derivative of the initial equipment sale.[46]

[42] Paragraph 11.3.2 of Form M1.
[43] Paragraph 11.3.5 of Form M1.
[44] Paragraph 15.2 of Form M1.
[45] Paragraph 15.4 of Form M1.
[46] Paragraph 15.3 of Form M1.

21. In relation to the supply of other services and equipment, the Parties made the following submissions:

(a) Drilling waste management services - while the Proposed JV and Baker Hughes will have a minor overlap[47] within drilling waste management services post-Proposed Transaction, there will be no overlap relevant to Singapore, as Baker Hughes does not have any presence in drilling waste management services in Singapore.[48]

(b) Supply of digital solutions - while the Parties offer various digital services as part of their drilling equipment businesses,[49] the Parties submitted that they do not overlap in the supply of digital solutions as digital solutions offered by the Parties are tailored for each of their respective segments, and are not independently marketed products.[50]

(c) Supply of topside equipment - the Parties submitted that topside equipment is not considered an overlapping good or service as Baker Hughes is not active within the supply of topside equipment or any vertically related market.[51]

(d) Supply of pressure control equipment - the Parties submitted that the Proposed Transaction does not give rise to any horizontal overlaps between the Parties as MHWirth does not supply pressure control equipment.[52] However, the Parties have identified a vertical relationship between themselves prior to the Proposed Transaction, with MHWirth as a supplier of complete drilling equipment packages, and Baker Hughes as a supplier of pressure control equipment (which forms part of the complete drilling equipment package). As MHWirth does not supply pressure control equipment, it has had to procure pressure control equipment from third parties (such as Baker Hughes) for its integrated bids for complete drilling equipment packages.[53]

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[47] The Parties submitted that both Baker Hughes and MHWirth, through MHWirth's wholly-owned subsidiary, Step Oiltools, distribute drilling waste management equipment and provide drilling waste management services, and therefore there is a minor overlap within drilling waste management services globally where the Parties are marginal players. Paragraph 15.5 of Form M1.

[48] Paragraph 15.5 of Form M1; Paragraph 5.2 of the Parties' 9 July 2021 response to CCCS's 21 June 2021 RFI.

[49] Baker Hughes will contribute its pressure control and riser related digital solutions to the Proposed JV and MHWirth will contribute its digital solutions applicable to topside drilling equipment and marine drilling risers, as well as digital solutions used in relation to provision of repair and aftermarket services for the said equipment. See Paragraphs 47.3 and 47.4 of Form M1.

[50] Paragraphs 3.1 and 3.2 of the Parties' 16 June 2021 response to CCCS's 7 June 2021 RFI.

[51] Paragraphs 15.6, 47.7 to 47.8 of Form M1.

[52] Paragraph 36.17 of Form M1.

[53] Paragraphs 36.1 and 36.2 of Form M1.

22. Considering the above, CCCS has focused its assessment on whether the Proposed Transaction will lead to non-coordinated, coordinated or vertical effects that would substantially lessen competition in relation to the supply of marine drilling risers in Singapore. In assessing vertical effects, CCCS has considered whether the vertical relationship between the Parties in respect of the supply of complete drilling equipment packages would give rise to any substantial lessening of competition ("**SLC**") in any market in Singapore post-Proposed Transaction.

V. COUNTERFACTUAL

23. The Parties submitted that, in the absence of the Proposed Transaction, the pre-existing competitive situation would be the appropriate counterfactual to apply in assessing the Proposed Transaction.[54]

24. In the absence of Third Party feedback or evidence suggesting otherwise, CCCS is of the view that the prevailing conditions of competition would be the likely scenario in the absence of the Proposed Transaction and accordingly, has applied this as the appropriate counterfactual to assess the Proposed Transaction.

VI. RELEVANT MARKET

25. Based on the Parties' submissions and Third Party feedback, while CCCS considers that it is not necessary to conclude on a precise market definition, CCCS is of the view that the Parties' submission on the relevant market would serve as a useful frame of reference for assessing the Proposed Transaction. Accordingly, the relevant market which would serve as a useful frame of reference for the 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 (the "**Relevant Market**").

VII. MARKET STRUCTURE

(a) Market Shares and Market Concentration

26. Baker Hughes' and MHWirth's ten-year cumulative market shares for the worldwide supply of marine drilling risers, based on number of rigs ordered from 2010 to 2020, were [10-20]% and [10-20]% respectively. Accordingly, the

[54] Paragraph 23.1 of Form M1.

Parties' combined ten-year cumulative market share is [20-30]%, which falls within CCCS's indicative threshold range of between 20% and 40% as set out in the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*.[55] In addition, the post-merger CR3 is [90-100]%, which is over CCCS's indicative threshold of 70%.[56]

27. However, CCCS notes from the market share estimates provided by the Parties that neither of the Parties is the largest player in the supply of marine drilling risers globally, and the largest market player is NOV Inc. ("**NOV**"), who accounts for more than twice that of the combined market shares of the Parties, post-Proposed Transaction. CCCS has also received Third Party feedback which is consistent with the Parties' submission that NOV and Schlumberger Limited ("**SLB**") are significant suppliers of marine drilling risers.

28. Considering the above, CCCS is of the view that the Parties' combined market share estimate may not necessarily result in competition concerns in itself.

(b) Barriers to Entry and Expansion

29. CCCS is of the view that the barriers to entry into the Relevant Market are high and it is unlikely that there will be a potential new entrant within the next two years. Third Parties have indicated that they were not aware of any entry of suppliers into the Relevant Market in the last ten years. Third Parties were also not aware of any companies that may potentially be able to enter the Relevant Market in the next one to two years.

30. That said, CCCS understands that there is currently overcapacity 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, given that Third Party feedback suggests that at the point of purchase of a brand new marine drilling riser, the marine drilling riser supplied by other suppliers besides the Parties are substitutable for that of the Parties. CCCS is also of the view that the Proposed Transaction does not create or raise barriers to entry and expansion that raise competition concerns.

(c) Countervailing Buyer Power

[55] Paragraph 5.15 of the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*.
[56] Paragraph 5.15 of the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*.

31. CCCS had considered the size of the Parties' five largest customers in the Relevant Market from 2010 to 2020.[57]

32. CCCS notes that the top five customers of Baker Hughes and Akastor respectively account for [✂]% and [✂]% of their worldwide revenue. Further, each of Baker Hughes' and Akastor's top two customers account for [✂]% and [✂]% of their respective worldwide revenues. Considering the above, CCCS is of the view that it is likely that the large customers of the Parties would be able to exercise some degree of buyer power, and may credibly threaten to switch their demand to another supplier especially in the current market conditions where there is excess capacity.

33. In relation to whether customers are able to self-supply, Third Party feedback indicates that this is not feasible.

34. Given the above assessment, CCCS is of the view that while the large customers of the Parties would likely have some buyer power, this is not sufficient to conclude that buyer power is strong if it is only these large customers which are shielded from potential anti-competitive effects. In this regard, CCCS is of the view that there is insufficient evidence as to whether other customers have countervailing buyer power in the Relevant Market to constrain the Parties following the Proposed Transaction.

VIII. COMPETITION ASSESSMENT

(a) Non-Coordinated Effects

35. Based on the information received, CCCS has assessed that the Proposed Transaction, if carried into effect, will not give rise to non-coordinated effects that would lead to SLC concerns in the Relevant Market, in view of the following:

    (a) Baker Hughes and Akastor are unlikely to be each other's closest competitor in the Relevant Market, and there are at least two main suppliers of marine drilling risers (i.e. SLB and to a larger extent, NOV) that are important sources of competitive constraints on the Parties post-Proposed Transaction;

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[57] For Baker Hughes, it was not able to provide the data on the Relevant Market as [✂]. As a proxy, Baker Hughes had submitted high-level estimates relating to the revenue and (accordingly proportion) attributable to each of its top five worldwide customers (based on order value) for the supply of marine drilling risers (the primary product). For Akastor, it was not able to provide the requested information from 2010 to 2020. It had provided the requested information for the time period from [✂]. [✂]. Paragraphs 19.2 and 19.5 of the Parties' 17 August 2021 response to CCCS's 3 August 2021 RFI; Parties' response to Question 1 of CCCS's 25 August 2021 email.

(b) There is currently overcapacity in the market for the supply of marine drilling risers globally, and CCCS notes that it is likely that existing suppliers of marine drilling risers can expand their capacity quickly to act as an important competitive constraint on the Parties post-Proposed Transaction; and

(c) Marine drilling risers supplied by existing 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.

(b) Coordinated Effects

36. Based on the information received, CCCS has assessed that the Proposed Transaction, if carried into effect, will not give rise to coordinated effects that would lead to SLC concerns in the Relevant Market, in view of the following:

(a) While market concentration in the Relevant Market will be high post-Proposed Transaction, the information available to CCCS 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; and

(b) Purchases of marine drilling risers tend to be sporadic and infrequent. Further, customers have differing frequencies of negotiation (e.g. long term agreements covering multiple rigs versus single rigs etc.) with the suppliers which take place on a case-by-case basis.

(c) Vertical Effects

37. The Parties have identified the following vertical relationship between MHWirth and Baker Hughes:[58]

(a) MHWirth as a supplier of complete topside and subsea drilling equipment packages for floaters[59] ("**TSP**") and Baker Hughes as a potential sub-supplier of pressure control equipment such as (i) the BOP and BOP control systems for floaters, (ii) diverters for floaters and (iii) wellhead connectors; and

[58] Paragraphs 36.1 and 36.3 of Form M1.
[59] Floaters refer to both semi-submersibles and drillships. Paragraph 18.24 of Form M1.

(b) MHWirth as a supplier of complete drilling equipment packages for jack-ups and platform rigs (i.e. non-floaters) ("**CDP**") and Baker Hughes as a sub-supplier of pressure control equipment such as (i) the BOP and BOP control systems for non-floaters and (ii) diverters for non-floaters.

38. Having considered the Parties' submissions and Third Party feedback, CCCS is of the view that the following relevant upstream and downstream markets as submitted by the Parties, serve as a useful frame of reference for the purposes of assessing the vertical effects of the Proposed Transaction:

Supply of complete drilling equipment packages (downstream market)

(a) The global supply of complete drilling equipment packages for floaters (i.e. TSP) to customers worldwide; and

(b) The global supply of complete drilling equipment packages for non-floaters (i.e. CDP) to customers worldwide.

Supply of pressure control equipment (upstream market)

(c) The global supply of BOPs and BOP control systems for (i) floaters and (ii) non-floaters to customers worldwide;

(d) The global supply of wellhead connectors for floaters to customers worldwide; and

(e) The global supply of diverters for (i) floaters and (ii) non-floaters to customers worldwide.

Assessment of vertical effects of the Proposed Transaction

39. Based on the Parties' submissions and Third Party feedback, CCCS assesses that the Proposed Transaction is unlikely to give rise to vertical effects, in view of the following:

(a) Customer foreclosure is unlikely. With regard to the global supply of TSP and CDP, MHWirth's estimated market shares of [0-10]% and [0-10]% respectively is below CCCS's indicative threshold of 20% as set out in the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*.[60] Given the low market shares estimates, CCCS is of the view that MHWirth is

[60] Paragraph 5.15 of the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*.

unlikely to be a significant buyer of pressure control equipment. It is also unlikely that the Proposed JV will be able to foreclose competition in the upstream markets for the global supply of the components of the pressure control equipment, considering its low market shares in the downstream market for the global supply of TSP and CDP.

(b) The Proposed JV is unlikely to have the ability and/or incentive to foreclose competition in the downstream market for the global supply of TSP and CDP respectively. In relation to the global supply of BOP and BOP control systems for (i) floaters and (ii) non-floaters, and the global supply of diverters for floaters, the estimated market shares of Baker Hughes is below CCCS's indicative threshold of 20% as set out in the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*. In relation to the global supply of wellhead connectors for floaters, and the global supply of diverters for non-floaters, notwithstanding Baker Hughes' estimated market shares of [60-70]% and [50-60]% respectively is above CCCS's indicative threshold of 40% which may result in competition concerns as set out in the *CCCS Guidelines on the Substantive Assessment of Mergers 2016*[61], CCCS is of the view that it is unlikely that the Proposed JV post-Proposed Transaction will have the ability and/or incentive to restrict access to its wellhead connectors for floaters and/or diverters for non-floaters (i.e. input foreclosure) given the current depressed demand and the fact that neither is an essential input.

Conclusion on Competition Assessment

40. Considering CCCS's conclusions in relation to the lack of non-coordinated, coordinated and vertical effects from the Proposed Transaction, CCCS is of the view that the Proposed Transaction, if implemented, will not lead to SLC in the Relevant Market.

IX. EFFICIENCIES

41. Given that the Proposed Transaction does not raise SLC concerns in the Relevant Market, CCCS is of the view that it is not necessary to make an assessment on the claimed efficiencies by the Parties.

[61] Paragraph 5.15 of the *CCCS Guidelines on the Substantive Assessment of Mergers 2016.*

X. CONCLUSION

42. For the reasons above and based on the information available, CCCS has assessed that the Proposed Transaction, if carried into effect, will not lead to an SLC and consequently, will not infringe the section 54 prohibition.

43. In accordance with section 57(7) of the Act, the decision will be valid for a period of one year from the date of this decision.

Sia Aik Kor
Chief Executive
Competition and Consumer Commission of Singapore