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SOUTH AFRICA

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM029May19

In the matter between:

Saudi Arabian Oil Company — Primary Acquiring Firm

and

Saudi Basic Industries Corporation — Primary Target Firm

Panel	: Mr A Roskam (Presiding Member)
	: Mr E Daniels (Tribunal Member)
	: Mr AW Wessels (Tribunal Member)
Heard on	: 25 September 2019
Order Issued on	: 25 September 2019
Reasons Issued on	: 21 October 2019

REASONS FOR DECISION

Approval

[1] On 25 September 2019, the Tribunal unconditionally approved the proposed transaction in terms of which Saudi Arabian Oil Company ("SAOC") is acquiring control over Saudi Basic Industries Corporation ("SABIC").

[2] The reasons for the approval follow.

Parties to the transaction

[3] SAOC is a joint stock company established by Royal Decree of the Kingdom of Saudi Arabia. SAOC controls various firms in different jurisdictions. However, SAOC does not directly or indirectly control any firm in South Africa (SA). SAOC and all the firms it controls will hereafter collectively be referred to as "Saudi Aramco".

[4] Saudi Aramco is primarily active in the exploration, production and marketing of crude oil. To a lesser extent, Saudi Aramco is active in the production and marketing of refined products, and petrochemical products.

[5] SABIC is also a joint stock company which was established by Royal Decree of the Kingdom of Saudi Arabia. SABIC is controlled by the Public Investment Fund of Saudi Arabia ("PIF") with a 70% equity interest. The residual 30% of the shares are publicly traded. SABIC controls various firms in different jurisdictions.

[6] SABIC is active in the production and sale of commodity chemicals (including petrochemicals), polymers, fertilizers and metals.

Proposed transaction and rationale

[7] SAOC intends to acquire 70% of the issued shares of SABIC from the PIF.[1] Post-merger, Saudi Aramco will control SABIC, and the remaining 30% of the shares will be traded publicly.

Impact on competition

[8] The Competition Commission ("Commission") found that the proposed transaction presents product overlaps in the market for the supply of petrochemical products, namely (i) ethylene propylene and terpolymer rubbers (EPDM)[2]; (ii) polyethylene (PE)[3]; and (iii) polybutadiene rubber (PBR).[4] The Commission assessed the narrower PE product market. Particularly, the supply of High-Density PE (HDPE)[5] and Linear Low-Density PE (LLDPE)[6].

[9] The Commission found that the merged entity's combined post-merger market shares in the market for the supply of HDPE and LLDPE range between 10%-15% and 15%-20% respectively. The Commission also found that there are other market participants including Safripol and Exxon Mobil that will exercise competitive constraints against the merged entity.

[10] In the PBR market, the Commission found that the merged entity will have a minimal post-merger market share within the range of 1%-5%. The Commission also found that there are other significant market participants including Synthos

[1] The proposed transaction is an international transaction which has been notified in multiple jurisdictions, namely COMESA, Taiwan and Mexico, among others.
[2] A synthetic rubber material mostly used in the automotive industry to manufacture, inter alia, sealing systems.
[3] Also known as plastic which is used to manufacture industrial wrappings and retail packaging bags, among other products.
[4] A synthetic rubber used in the manufacture of tyres and solid core golf balls.
[5] A more rigid PE commonly used to manufacture drain pipes and automotive fuel tanks.
[6] A more flexible PE used to manufacture lids and plastic bags.

and Versalis that will exercise competitive constraints against the merged entity.

[11] In the EPDM market, the Commission found that the merged entity will have a post-merger market share within the range of 10%-15%. The Commission also found that there are other market participants including Mitsui and Dow that will exercise competitive constraints against the merged entity.

[12] During its investigation of the proposed transaction, the Commission received concerns from two industry participants. The concerns were that the proposed transaction will, *inter alia*, create a consortium of four major players in the EPDM market. This is because the merging parties are party to joint ventures (JV) with some big players in the market.[7] The Commission however found that the JVs are purely for [...].[8] The Commission therefore concluded that the proposed transaction is unlikely to result in a consortium of large players.

[13] In view of the above, the Commission concluded that the proposed transaction will unlikely lead to a substantial prevention or lessening of competition in any relevant market. We have no reason to disagree with the Commission's findings.

Public interest

[14] The proposed transaction does not raise any public interest concerns.

Conclusion

[15] In light of the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. In addition, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.

Anton Roskam

21 October 2019

Mr Anton Roskam **Date**

Mr Enver Daniels and Mr Andreas Wessels concurring.

Tribunal Case Manager	: Kgothatso Kgobe
For the Merging Parties	: X Nyali of Bowmans; A Mdee and W Graaf of ENS Africa

[7] CC recommendation page 22, and page 1004 of the Merger Record.
[8] Information claimed as confidential.

For the Commission : R Molotsi and T Masithulela