ACQUISITIONS (OIL): THE BP AMOCO / ARCO CASE

Subject: Acquisitions
Conditions (for clearance)

Industry: Oil, natural gas
(Some implications for other industries)

Parties: BP Amoco Group
Atlantic Richfield Corporation

Source: Commission Statement IP/99/712, dated 29 September 1999

(Note. This is one of two recent decisions in the oil industry. The other is the Exxon / Mobil case. A condition for clearance of the operation is that BP Amoco divests certain pipeline and processing interests.)

The Commission has authorised the acquisition of the US company Atlantic Richfield Corporation, active in the exploration, production and sale of crude oil and natural gas, by the UK company BP Amoco, active in oil exploration, petroleum and petrochemicals. As initially notified, the operation would have created dominant positions on two markets: the transport of unprocessed natural gas by means of off-shore pipelines from fields in the Southern North Sea ("SNS") sector of the UK Continental Shelf to the UK mainland and on the processing of natural gas in processing facilities on the UK mainland serving the SNS area. To eliminate concerns about competition, BP Amoco has undertaken to divest certain pipeline and processing interests.

On 10 June 1999, the Commission decided after an initial one-month investigation to investigate further the impact of the merger on competition in the markets for exploration, development and production of crude oil and natural gas. The Commission also had concerns in gas pipelines and processing facilities in the UK.

This investigation confirmed the Commission's concerns with regard to off-shore gas pipelines and on-shore gas processing facilities in the SNS. The merged entity would have an equity interest in all the pipelines and processing facilities with spare capacity in the SNS. Such spare capacity is made available to owners of new gas fields on the basis of unanimous decisions of the owners of the infrastructure. Therefore, the merged entity would control, to the possible detriment of owners of new gas fields, access to the necessary infrastructure and would thereby control the conditions at which this new gas can be marketed.

To remedy these concerns, BP Amoco has committed itself to divesting its equity interests in certain pipelines and processing facilities. As a result of this divestiture, BP Amoco's position would be similar to its position prior to the concentration. Therefore, the Commission has decided that the concentration can be declared compatible with the common market on condition that BP Amoco fulfils this divestiture commitment.

The Commission concludes that the concentration will not raise any other competition concern. In particular, the in-depth investigation has dispelled initial doubts that recent concentrations among major competitors (the merged entity together with Shell and the Exxon/Mobil merger, investigated in parallel), might result in too small a cluster of oil companies capable of searching for and developing unexplored reserves.

The Commission saw a threat to competition for oil and gas that would be consumed 10 to 15 years from now. However, the "super majors" will still face competitive constraints from smaller oil companies. Also, countries on whose territory oil and gas are found have no incentive to let oil companies restrict production. Finally, smaller explorers indicated that, because of size differences, they would not compete for the same type of exploration rights and would not be dependent on the bigger explorers to sell their oil.

Background

The BP Amoco Group was formed as a result of the merger, last December, between The British Petroleum Company plc and Amoco Corporation. BP Amoco is active in oil and gas exploration, petroleum products and petrochemicals. ARCO is involved in exploration for and production of crude oil and natural gas and in the refining of crude oil and marketing of petroleum products. ARCO is mainly active in the USA.

In accordance with the bilateral agreement of 1991 on antitrust co-operation with the USA, the Commission has co-operated with the Federal Trade Commission in assessing the transaction, in particular with regard to the possible impact of the operation on the exploration and production of crude oil and natural gas. The investigation in the USA has not yet ended. □

Motor Vehicle Industry (II): State Aid for Fiat

The Commission has authorised regional aid totalling €27.9m for Fiat Auto, taking the view that the proposed aid for an investment project at the Termoli engine plant, with an intensity of about 15%, is in line with the rules laid down in the Community framework for state aid to the motor vehicle industry. Some 500 jobs will be safeguarded as a result. (Commission Statement IP/99/710, dated 29 September 1999.)