Notice u/s 6(2) of the Competition Act, 2002 given by Royal Dutch Shell Plc and BG Group Plc

CORAM:

Mr. Ashok Chawla
Chairperson

Mr. S. L. Bunker
Member

Mr. Augustine Peter
Member

Mr. U.C. Nahta
Member

Mr. M.S. Sahoo
Member

Mr. G.P. Mittal
Member

Legal Representative: a. For Shell: Khaitan & Co; b. For BG: Platinum Partners

Order under Section 31(1) of the Competition Act, 2002

1. On 27th July 2015, the Competition Commission of India ("Commission") received a notice jointly given by Royal Dutch Shell Plc ("Shell") and BG Group Plc ("BG") under sub-section (2) of Section 6 of the Competition Act, 2002 ("Act"). BG and Shell are hereinafter referred to Parties.

2. The notice was filed pursuant to resolution passed by the Board of Directors of the Parties on 5th April 2015. The proposed combination is an acquisition of the entire share capital of BG by Shell under the relevant laws of England as a result of which BG will become a wholly owned subsidiary of Shell ("Proposed Combination").

3. Shell, a company incorporated in England and Wales, is listed on London, Amsterdam and New York Stock Exchanges. It is part of global group of energy and petrochemical companies and has operations in more than 70 countries and territories with businesses including, *inter alia*, oil and natural gas exploration, production and marketing,
manufacturing, marketing and shipping of oil products and chemicals. It is an integrated player in the natural gas market with presence in each of the upstream, midstream and downstream markets.

4. BG, a company incorporated in England and Wales, is listed on the London Stock Exchange and its American Depository Receipts are traded on United States’ International OTCQX (over the counter exchange). It has operations in over 20 countries. It is also an integrated player in the natural gas market with presence in each of the upstream, midstream and downstream markets.

5. It is noted that though both the Parties are vertically integrated players in oil and gas industry, the horizontal overlap between activities of the Parties in India is in the natural gas sector.

6. The Parties have submitted that at worldwide level, there are horizontal overlaps between the activities of the Parties in each of the upstream, midstream and downstream markets relating to natural gas. With regard to overlaps in India, the Parties have submitted that the only product markets in India where the Parties to the proposed combination overlap are: (a) the wholesale supply of natural gas, i.e., trading of gas; and (b) the downstream supply of natural gas, i.e., retail sale. Based on the same, the Parties submitted that the relevant product markets in the present case would be (a) market for wholesale supply of natural gas; and (b) market for downstream (retail) supply of natural gas.

7. It is observed that within the activity of wholesale supply of natural gas, the horizontal overlap between the activities of the Parties is vis-à-vis supply of natural gas to resellers other than city gas distribution companies. With regard to the retail sales, it is noted that the Parties supply natural gas to two distinct sets of end users— viz., (a) industrial customers; and (b) end users who use natural gas for household/commercial or transportation (this category of consumers is served by the city gas distribution companies). It is noted that while Shell supplies natural gas to industrial customers only, BG (through its joint venture Maharashtra Gas Limited) provides natural gas to the latter category of end users only. Thus, based on the said horizontal overlaps, an alternative relevant product market for supply of natural gas to wholesalers other than city gas distribution companies may also be delineated in the present case. However, since the proposed combination is not likely to cause appreciable adverse effect on competition in
any alternative market, the definition of the relevant market in the present case is left open.

8. It is noted that based on the submissions of the Parties, the combined market share in any alternative relevant market is not significant enough to raise any competition concern. The Parties have submitted that there are larger players present in the relevant markets and that these players will provide competitive constraint to the Parties.

9. While both Parties are vertically integrated players, it is noted that the combined market share of the Parties in the upstream, midstream and downstream markets is not significant and therefore, unlikely to lead to vertical foreclosure, post combination.

10. Considering the facts on record and the details provided in the notice given under sub section (2) of section 6 of the Act and assessment of the Proposed Combination on the basis of factors stated in sub-section (4) of Section 20 of the Act, the Commission is of the opinion that the Proposed Combination is not likely to have an appreciable adverse effect on competition in India and therefore, the Commission hereby approves the same under sub section (1) of section 31 of the Act.

11. This order shall stand revoked if, at any time, the information provided by the Parties is found to be incorrect.

12. The Secretary is directed to communicate to the Parties accordingly.