

Completed acquisition by IGas Energy Plc of Dart Energy Limited

ME/6460-14

The CMA's decision on reference under 22(1) given on 20 October 2014. Full text of the decision published on 4 December 2014.

Summary

1. **IGas Energy Plc (IGas)** acquired **Dart Energy Limited (Dart)** (the **Parties**) on 16 October 2014 (the **Merger**). The Competition and Markets Authority (**CMA**) considers the Parties have ceased to be distinct, that the share of supply test is satisfied and that accordingly a relevant merger situation has been created.
2. The Parties overlap in the UK in the conduct of exploration activities for petroleum¹ deposits on onshore petroleum licences, with a focus on unconventional gas reserves. The CMA has therefore assessed the impact of the Merger on the exploration for energy reserves on UK onshore petroleum licences, as well as the impact on the downstream production and sale of natural gas in the UK.
3. The CMA has found that the Parties face several competing companies both currently holding and actively interested in acquiring further licences. The Parties' share of total onshore licensed area in, based on equity interest held, is a combined [20-30]% (with an increment of approximately [10-20]%). The CMA further notes that the Parties and their competitors operate under a licensing regime, operated on behalf of the Secretary of State for Energy and Climate Change (the **Secretary of State**) by the Department for Energy and Climate Change (**DECC**), which contain measures to incentivise licence holders, including the Parties, to undertake exploration activities in a timely fashion.
4. The CMA also notes that, if the Parties start producing gas from licence holdings for unconventional onshore reserves (the extent and timing of which

¹ In the wide sense of the Petroleum Act 1998, ie any mineral oil or relative hydrocarbon and natural gas existing in its natural state in strata.

is currently uncertain), they would have a very low share in the downstream production and sale of natural gas in the UK.

5. Although the Parties' share of coal bed methane (**CBM**) licences in the UK is significant, the CMA does not consider that this gives rise to competition concerns in view of, in particular, the factors above. The CMA notes in this respect that CBM is produced for sale in the downstream supply of natural gas.
6. The CMA therefore considers that there is no realistic prospect of a substantial lessening of competition as a result of the Merger.
7. This Merger will therefore **not be referred** under section 22(1) of the Enterprise Act 2002 (the **Act**).

Assessment

Parties

8. **IGas** is an energy company listed on the Alternative Investment Market of the London Stock Exchange and is the holding company of the IGas Group. The IGas Group is engaged in the exploration, development and production of crude oil and natural gas. The IGas Group's fields and reserves are located in onshore Britain. The IGas Group possesses a portfolio of assets categorised as either conventional or unconventional reserves (ie shale gas and coal bed methane (**CBM**) ranging from mature discoveries made more than 50 years ago to unconventional resources only now potentially recoverable as a result of technical advances in oil field practices).
9. **Dart** is an energy company formerly listed on the Australian Stock Exchange whose business is the exploration for and production of unconventional gas, principally shale gas and CBM. Dart has a network of subsidiaries, which form the Dart Group, which collectively hold exploration licences in a number of jurisdictions, namely Australia, Germany, Belgium, Indonesia and India. Dart holds 23 licences in the UK. The Parties submitted that Dart does not currently generate turnover in the UK as it has no gas producing assets.

Transaction

10. IGas acquired Dart on 16 October 2014 by way of a scheme of arrangement under the Australian Corporations Act 2001.

Jurisdiction

11. As a result of the Merger, Dart has become a subsidiary of IGas. Therefore, the enterprises of IGas and Dart have ceased to be distinct.
12. The Parties overlap in the conduct of exploration activities for commercially exploitable petroleum deposits on UK onshore petroleum licences. Although the Parties do not receive direct payment for these activities (for example, Dart has no UK turnover), they conduct these activities to achieve future petroleum production and the resulting revenues. The CMA therefore considers that the conduct of these activities constitutes the performance of a service for the Parties' own account. The CMA notes that such intra-group supply of services may be taken into account for the purposes of the share of supply test in section 23 of the Act.²
13. For the purpose of applying the share of supply test, the CMA considered that the Parties' share of total onshore licensed area in acres, based on equity interest held, is an appropriate criterion.³ On this basis, the Parties' combined share of supply is [20-30]%, with an increment of [10-20]%.⁴
14. The CMA therefore considers that the share of supply test in section 23 of the Act is met in this case.
15. Accordingly the CMA considers that it is or may be the case that arrangements are in progress or contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
16. The initial period for consideration of the Merger started on 22 August 2014, and the statutory deadline for a decision is 20 October 2014.⁵

² See *CMA2 Mergers: Guidance on Jurisdiction and Procedure*, paragraph 4.56, and OFT decision *Anticipated acquisition by Montauban S.A. of Simon Group plc* (21 August 2006), paragraph 6.

³ This calculation is made by first looking at the equity held in each licence by the respective parties; this is sometimes less than 100%, if, for instance the party has assigned, sold or farmed out some of its equity share, or farmed in/purchased an interest in a licence for less than the full equity (see paragraph 24, below, for a description of farm-in arrangements). The total acreage in each licence is then adjusted according to the equity held by the relevant party; eg if a party held 50% equity share in a 100 acre licence, its share of the acreage would be 50 acres. The acreage held by each party is then added up to reach a total share of onshore licenced area.

⁴ Of the 3,587,276 acres currently subject to licence in the UK, the Parties own the interest in approximately 1,028,000 acres (IGas – 497,000 acres; Dart – 531,000 acres). The CMA has based this calculation on information on licence acreage provided by the Parties, cross referenced against public data on the equity holders of UK onshore licences available at https://www.og.decc.gov.uk/information/licence_reports/onshorebylicence.html.

⁵ In addition, the statutory four month period within which the CMA may make a reference following completion of the Merger on 16 October 2014 expires on 16 February 2015.

Background

17. Exploration, in the context of the present case, concerns the licensed search for new reserves of petroleum deposits. If a commercially viable reserve is discovered through exploration, the next phase is development. Development concerns the setting up of infrastructure (such as pipelines and terminals) so that production can be commenced. The final phase is production and sales, during which, utilising the installed infrastructure, the petroleum reserve is exploited and sold.⁶

Licences

18. A country which believes that petroleum reserves could be discovered on its territory (the **host country**) organises tenders to grant exploration licences. In the UK, there is a competitive licensing system, in which petroleum licences⁷ are issued by the Secretary of State through competitive licensing rounds. This process is facilitated by DECC.⁸
19. Licensing rounds for onshore licences are held periodically, but in exceptional circumstances DECC may have an 'out-of-round application' process. The 14th licensing round is currently underway; the process was commenced on 28 July 2014 with applications for licences being accepted up until 28 October 2014.⁹
20. The Parties submitted, with reference to publicly available charts,¹⁰ that the area currently subject to licence is approximately 3.6 million acres. This area may significantly increase following the conclusion of the 14th round in which bids are being invited for approximately 25 million acres of licensed area.
21. Licences confer the exclusive right on the holder to search for, bore for and get petroleum in the licensed area,¹¹ but they do not confer exemption from other legal/regulatory requirements such as:
 - any need to gain access rights from landowners
 - health and safety regulations; and/or

⁶ See DECC, 'Onshore oil and gas exploration in the UK: regulation and best practice', December 2013, pages 6 to 8.

⁷ See footnote 2 (above).

⁸ In exceptional circumstances DECC will also invite bids for licences in 'out-of-round' processes. For more information on the UK licensing regime, see <https://www.gov.uk/oil-and-gas-petroleum-licensing-guidance>.

⁹ See <https://www.gov.uk/oil-and-gas-licensing-rounds>.

¹⁰ See *14TH Onshore Round of Licensing Blocks Under Offer*.

¹¹ Section 3 of the Petroleum Act 1998.

- planning permission from relevant local authorities.¹²
22. The award of licences is predicated on applicants meeting minimum qualification criteria relating to technical and financial capability to undertake the required work on the licensed area.¹³ DECC explained to the CMA that where there is competition for the same acreage, DECC selects between applicants according to published criteria, based on geological understanding demonstrated and exploration effort offered.
23. The CMA understands from its investigation that the process of exploring for petroleum deposits on a licensed area typically involves the evaluation of seismic surveys and other data. This evaluation will lead to a decision to either drill an exploration well or relinquish the licence. The exploration activity may involve drilling one or more wells in the licenced area to gain more knowledge. The necessary work may be undertaken by employees of the licence holder or by service companies. For example, seismic survey/seismic acquisition equipment is specialised and expensive, so this phase is usually contracted to a third party; similarly drilling rigs are frequently contracted in by licence holders.
24. The Parties and third party respondents explained to the CMA that it is common for onshore licence holders, who are usually small companies, to seek to attract investment from larger businesses through farm-in contracts. In order to farm-in, the investing company or 'farmee' (often either another exploration company or an oil major) commits to paying for some of the required exploration activity (for instance the drilling of a well) in exchange for an interest in the licence. The relationship between the partners in a licence is usually codified in what is known as a Joint Operating Agreement.

Product frame of reference

25. Onshore petroleum reserves are split into two categories: conventional and unconventional.¹⁴ Different types of reserve are found in different layers of rock and require different methods of extraction.¹⁵

¹² See DECC, 'Onshore oil and gas exploration in the UK: regulation and best practice'. December 2013.

¹³ <https://www.gov.uk/oil-and-gas-petroleum-licensing-guidance>.

¹⁴ In terms of chemical composition (mostly methane), and ultimate end product, conventional petroleum deposits are the same as unconventional petroleum deposits. The difference in the categories is their geographical location and the methods of extraction. Conventional energy reserves are typically found in permeable rocks, such as sandstone. Unconventional reserves, (including shale gas, CBM and tight gas) are found in different types of rock. Shale gas is trapped in impermeable rock and requires hydraulic fracturing or 'fracking' to be undertaken in order to gain access to it. The process of obtaining permission to drill a well is the same whether the well is targeted at conventional or unconventional gas. See DECC Report 'The Unconventional Hydrocarbon resources of Britain's Onshore Basins – Shale Gas', page 1.

¹⁵ See DECC Report 'The Unconventional Hydrocarbon resources of Britain's Onshore Basins – Shale Gas', page 32.

26. The European Commission (**EC**) has suggested that since the possible contents of the underground are unknown at the time of exploration, it is not justified to make a distinction between exploration for oil and exploration for gas.¹⁶ The Office of Fair Trading (**OFT**) has also noted that exploration concerns the search for 'new energy reserves' (it not being known until discovery whether these will be oil or gas).¹⁷
27. Licences are not specific to particular types of reserves. Licences confer a right to search, bore for and get 'petroleum', which, according to the statutory regime under which licences are granted includes 'any mineral oil or relative hydrocarbon and natural gas existing in its natural state or strata'.¹⁸ The general scope of exploration licences supports the position in EC and OFT precedent that there is one market for the exploration of new energy reserves.
28. The Parties submitted that in the UK, IGas is active in the exploration, production and sales of oil and gas, while Dart is currently active in the exploration of gas deposits only and has not yet entered the development, production and sales phases.¹⁹ The Parties submitted that they both have a particular focus on unconventional reserves, notably CBM and shale gas.²⁰
29. On the basis that the Parties have a particular focus on the conduct of exploration activities for unconventional gas deposits, notably CBM and shale gas, the CMA considered whether there was scope for narrowing the product frame of reference on this basis. The Parties and third party respondents to the CMA's market testing explained that the method of extraction of energy deposits will vary depending on the requirements of each site but did not express a view that the market for exploration of new energy reserves should be further segmented. However, one third party suggested it would be correct to look at exploration for CBM as a separate market because the Parties were the only companies active in CBM extraction in the UK. As set out above, licences are broad in scope entitling the holder to undertake exploration for energy reserves on a general basis. However, on a cautious basis, in its competitive assessment the CMA has factored into its assessment the

¹⁶ See *inter alia*: Case No IV/M.1383 – *Exxon/Mobil* (29 September 1999) paragraph 16; and Case No COMP/M.5585 – *Centrica/Venture Production* (21 August 2009) paragraph 8.

¹⁷ OFT decision: *Anticipated acquisition by Talisman Energy Resources Limited of Paladin Resources plc* (12 December 2005), paragraph 6.

¹⁸ Section 1 of the Petroleum Act 1998.

¹⁹ The exception to this is Dart's CBM site at Airth, at which there is a proof of concept site. Production is suspended at this site pending the conclusion of a planning permission process. The Parties submitted that natural gas generated at the site was *de minimis* and its use would be classified as a disposal of a by-product of the exploration and development process. The CMA does not consider this example is sufficient to suggest that the Parties overlap outside of the exploration phase.

²⁰ See, IGas Energy, 'Unlocking Britain's Energy Potential; Annual Report and Accounts 2012/12' page 6 and 7, and Dart Energy Limited, Annual Report 2013, pages 2 and 3.

Parties' particular focus on exploration activities for unconventional gas deposits and their significant overlap in CBM exploration in the UK.

30. The EC has also suggested that 'exploration' is an upstream market separate from the downstream market of development, production and sales.²¹ The EC has reasoned that a business engaged in exploration has two categories of clients (distinct from ultimate consumers of the energy produced by the petroleum deposits): the host country and the subsequent producers of oil and/or gas. In this case, the host country is the UK, whose interests are primarily represented by the Secretary of State, while the future producers will be the Parties themselves (and possibly other businesses who have farmed-in to their licences).²²
31. The method of extraction of gas deposits will vary depending on the requirements of each site, but the final product to be sold is homogenous, namely natural gas. Natural gas, regardless of whether it is obtained from a conventional or unconventional source, is a homogenous product because it must meet specified criteria in order to be sold to the UK National Grid.²³
32. In the future, if the Parties are able to commercially exploit the gas reserves on their licensed areas, they may potentially overlap in the production and sale of natural gas. Although the extent of this overlap this is still uncertain, the CMA has, on a cautious basis, also considered whether the Merger may have an impact downstream for the sale of natural gas.
33. For the reasons set out above, the CMA has assessed the impact of the Merger in the exploration for commercially exploitable petroleum deposits on UK onshore licences and factored into its assessment the Parties' particular focus on exploration activities for unconventional gas deposits and their significant overlap in CBM exploration in the UK. The CMA has also considered the impact in the downstream production and sale of natural gas owing to the Parties' overlap in the exploration of unconventional gas reserves. However, as no competition concerns arise on any plausible frame of reference it has not been necessary to conclude on the precise product frame of reference.

²¹ See *inter alia*: Case No IV/M.1532 – *BP Amoco/Arco* (29 September 1999) paragraphs 13 to 15; and Case No COMP/M.5585 – *Centrica/Venture Production* (21 August 2009) paragraph 8.

²² See paragraph 24 (above).

²³ For instance all gas fed into the UK National Grid needs to have a similar composition, namely a calorific value within a specific range in order to ensure that end customers receive gas with a standardised energy content.

Geographic frame of reference

34. The EC has considered that the exploration market is world-wide in scope.²⁴ The EC found that companies engaged in exploration do not tend to limit their activities to a particular geographic area.
35. In relation to the potential future overlap in the production and sale of natural gas, the Parties submitted that the natural gas market is an international market highlighting the interconnectivity of the gas supply infrastructure in EEA countries and the convergence of market prices for natural gas at major European trading hubs. The Parties submitted that from the point of view of UK demand the geographic frame of reference for the production and sale of natural gas includes the EEA, Qatar and Russia.²⁵
36. The CMA notes a report provided by the Parties suggesting that the market for trade in gas is international.²⁶
37. On a cautious basis, the CMA has assessed the impact of the Merger in the UK. However, as no competition concerns arise, it has not been necessary to conclude on the exact geographic frame of reference.

Counterfactual

38. At phase 1, the CMA assesses the effects of a merger against the most competitive counterfactual provided that it considers this situation to be a realistic prospect. In practice, the CMA generally adopts the prevailing conditions of competition (or the pre-merger situation in the case of completed mergers) as the counterfactual against which to assess the impact of a merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it considers that the prospects of prevailing conditions continuing is not realistic. In this case, there is no evidence supporting a different counterfactual, and the Parties have not put forward arguments in this respect.²⁷

²⁴ See *inter alia*: Case No IV/M.1532 – *BP Amoco/Arco* (29 September 1999) paragraph 16; and, Case No COMP/M.5585 – *Centrica/Venture Production* (21 August 2009) paragraph 9.

²⁵ According to DECC (Energy Trends, September 2014), imports cover around 60% of the UK demand for natural gas. Most of the gas imported to the UK comes from Norway, the Netherlands and, in liquefied form, from Qatar. It is likely that a significant fraction of the gas imported through the Netherlands comes from Russia, which is the largest supplier to the European market.

²⁶ HSBC Global Research: 'Shale oil and gas; US revolution, global evolution', page 73.

²⁷ See *Mergers Assessment Guidelines*, paragraph 4.3.5 *et seq.*

Competitive assessment: horizontal effects

Shares of supply

39. Following the Merger, the Parties will hold a relatively low combined share of [20-30]% (with an increment of [10-20]%) of the total acreage currently subject to licence onshore in the UK (see paragraph 13 above).²⁸ However, the Parties' share of UK licensed acreage currently being explored for CBM reserves is much larger than their overall share of UK licensed acreage.²⁹ Remaining competitors include Cuadrilla Resources, Alkane Energy, Celtique Energie Weald, Egdon Resources and Reach Coal Seam Gas.
40. For the downstream production of natural gas, the Parties submitted that, in the most favourable scenario, in ten years they may be able to produce only up to [0-5]% of the total UK demand for natural gas. The CMA notes the conclusions of a report provided by the Parties suggesting there is uncertainty about the size of the viable petroleum reserves (specifically shale) in the UK and whether the technology exists to extract them.³⁰ A third party suggested that the shale gas industry was still at the exploratory phase and that it was too early to predict the eventual size and shape of the industry.
41. The CMA further notes the conclusions of a report provided by the Parties suggesting that UK gas prices are mainly determined by the global market, of which the UK constitutes just 1.4% and 2.5% of production and consumption respectively. The report suggests that the UK is unlikely to move world gas prices.³¹
42. Given the international scope of the downstream market and the limited expected market share, the CMA considers that the Merger, therefore, does not give rise to a substantial lessening of competition in the supply of natural gas in the UK. The CMA has therefore focussed on the potential impact of the Merger on onshore exploration activities in the UK.

Possible impact of the merger

43. Generally, horizontal unilateral effects can arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitability to raise prices on its own and without needing to

²⁸ Although the Parties' share of supply is relatively low, the merged entity will become largest onshore exploration company in the UK in terms of licensed acreage.

²⁹ The CMA did not have the data to calculate a precise share for CBM exploration, but a third party submitted that the parties' share was close to [90-100]%, at least in certain areas of the UK.

³⁰ HSBC Global Research: 'Shale oil and gas; US revolution, global evolution', page 73.

³¹ *Idem*.

coordinate with rivals.³² Unilateral effects can also take the form of reductions in quality, innovation or efficiency. Since in the present case the Parties do not supply their overlap services to third parties, the CMA has focussed its competitive assessment on whether the Merger could result in a reduced incentive to undertake exploration activities, such that exploration activities will be:

- less efficient/innovative; and/or
- at a slower pace.

44. One third party submitted that the merged entity would have a very strong position in the exploration of CBM in certain regions of the UK. This third party submitted that maintaining a diversity of licence ownership maximised the chances of multiple CBM exploration techniques and approaches being utilised or tested to optimise the potential for the UK's CBM resources to be exploited.
45. Another third party further suggested that due to its increased size, the merged entity may have the potential to reduce competition from smaller companies. Another respondent to market testing suggested that it could be easier for the Parties to acquire licences for neighbouring areas due to an increased availability of relevant information about these areas. Other third parties told the CMA that the Merger would cause no issues in terms of the competition for licences.
46. The CMA has found that there are several companies besides the Parties which are currently active in the exploration of unconventional onshore petroleum reserves in the UK (either having been awarded licences by the Secretary of State or having acquired those licences from the previous holders) and several others which expressed an interest in the current licensing round.
47. Market testing with competitors suggested that there were a number of companies both currently holding and actively interested in acquiring further licences. As noted above³³, Cuadrilla Resources, Alkane Energy, Celtique Energie Weald, Egdon Resources and Reach Coal Seam Gas were each suggested as direct competitors of the Parties, amongst others.
48. DECC also confirmed to the CMA that a large number of companies had expressed an interest in the ongoing licensing round. Multinational oil and

³² See [Merger Assessment Guidelines](#), section 5.4.

³³ See paragraph 39.

energy companies have begun to enter the market, at this stage through farming-in to existing licences. An independent report provided by a third party suggested that developments in the market are likely to drive the focus of UK shale gas developments for major oil companies.³⁴ The CMA notes that Total and GDF Suez have recently concluded farm-in agreements with Dart.

49. The CMA also notes that if and when the Parties' exploration activities of unconventional reserves result in the production of gas (the extent to which this will happen is currently uncertain), in the downstream market the Parties' shares will be very low so any concentration of licences is unlikely to significantly reduce their incentive to explore. In particular, as stated above, the result of CBM exploration, if successful, would be the production of natural gas which, after appropriate treatment, will be no different to natural gas obtained from other sources. Hence, the CMA considers that even if the Parties currently hold a strong position in licences used for CBM exploration, this would not translate into a strong position in the downstream market, where the Parties would compete in the production and sale of natural gas (see paragraphs 40 to 42). Since the company would not have significant pricing power in the downstream market for the production and sale of gas,³⁵ this is another factor meaning it would not have a direct incentive to reduce exploration in order to influence the price of gas.
50. As such, based on the Parties' relatively low share in current licences, the number of firms interested in new licences and the very low shares the Parties could obtain in the downstream production and sale of natural gas, the CMA considers that the Parties would not be incentivised to conduct its exploration activities at a less efficient, less innovative and/or slower pace.
51. The CMA also notes the roles of the Secretary of State and DECC in issuing the licences, in monitoring compliance with work programmes and in setting the structure of licence fees.
52. DECC stated that the Secretary of State has discretion in the issuing of licences, which is exercised to ensure maximum exploitation of national resource. Licences are awarded only to parties who meet minimum technical and financial requirements to work each particular licence.
53. DECC further explained to the CMA that, when issuing licences, it agrees work programmes with licensees; such programmes typically involve the acquisition of seismic data and drilling commitments. A licence will expire if the licence holder fails to complete the agreed work programme, although

³⁴ See report by Wood Mackenzie on the 14th licensing round, July 214, page 7.

³⁵ See also HSBC Global Research: 'Shale oil and gas; US revolution, global evolution', page 73.

DECC has discretion to decide whether to allow the licensee more time. DECC further has discretion to order that the change of control of a licensee must be reversed and to revoke a licence if that does not happen. DECC also has a more general power to revoke if the licence holder fails to comply with any of the terms of the licence, although the CMA understands that grounds for use of this power seldom arise in practice and actual revocation is rare.

54. DECC also explained to the CMA that the fees charged for holding a licence increase with time from (currently) £25 per square kilometre in the first five years to £1200 per square kilometre from the 20th year.³⁶ The licence holder is thus incentivised to complete exploration expeditiously, so that acreage not considered prospective for commercial exploitation may be relinquished or developed (depending on the outcome of the exploration).

Conclusion on unilateral effects

55. Overall, for the reasons set out above, and in particular the Parties' relatively low share in current licences and the presence of several competing firms currently holding licences, the number of firms interested in new licences and the very low shares the Parties could obtain in the downstream production and sale of natural gas, the CMA considers that there is not a realistic prospect that the Merger will give rise to a substantial lessening of competition in the exploration for commercially exploitable petroleum deposits on UK onshore petroleum licences or in the supply of natural gas in the UK.

Third party comments

56. Most third parties who responded to the CMA's market testing represented that they did not have any concerns with regards to the Merger, with some suggesting that it would in fact be beneficial to the sector. DECC did not express concerns in relation to the Merger.³⁷
57. One competitor raised a prospective concern regarding a market downstream from exploration, namely that the Parties' economies of scale would make them able to charge fees for third parties to access their hydrocarbon export loading facilities. The competitor added that more competition amongst such storage and export facility providers would reduce the resultant third party tariff service charge and this could reduce the threshold to make a marginal project viable. The CMA considers that this risk is uncertain, as these facilities

³⁶ The CMA also received a sample of licences demonstrating this mechanism.

³⁷ The CMA notes that if DECC did have concerns, the Secretary of State has the discretion to prevent changes in the control of licences from Dart to IGas, effectively enabling DECC, if it so wished, to block the transfer of the licences both in general or in relation to particular regions/licences if there were any concerns specific to one particular area.

still have to be built (the Parties do not currently have hydrocarbon export loading facilities in the UK) and their construction will depend on the volume of gas that the parties will be able to produce. However, it is not clear at this stage whether and on what scale commercial production will take place on the Parties' licensed areas, or indeed the extent to which the onshore exploration market will develop as a whole. As set out above, the Parties submitted that, in the most favourable scenario, in ten years they will be able to produce up to [0-5]% of the total UK demand for natural gas. Exploration is still at too early a stage to make any prediction on the volumes of natural gas which may be produced and on the shares that different companies currently engaged in exploration activities will have.

58. The CMA received a number of responses to its invitation to comment. Of the responses that set out competition concerns, these were regarding the possibility that there could be a detrimental effect on competition due to the increased size of the merged entity without further qualification. The CMA has addressed those concerns in its analysis set out above.

Decision

59. Consequently, the CMA does not believe that it is or may be the case that the Merger has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom.
60. This Merger will therefore **not be referred** under section 22(1) of the Act.

Nelson Jung
Director of Mergers
Competition and Markets Authority
20 October 2014