

Proposed acquisition by Prosafe SE of Floatel International Limited

Appendices and Glossary

Appendices

A: Terms of reference and conduct of the inquiry

B: Tender data analysis

Glossary

Appendix A: Terms of reference and conduct of the inquiry

Terms of reference

1. In exercise of its duty under section 33(1) of the Enterprise Act 2002 (the **Act**) the Competition and Markets Authority (**CMA**) believes that it is or may be the case that:
 - (a) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation, in that:
 - (i) enterprises carried on by Prosafe SE will cease to be distinct from enterprises carried on by Floatel International Limited; and
 - (ii) the condition specified in section 23(2)(b) of the Act is satisfied; and
 - (b) the creation of that situation may be expected to result in a substantial lessening of competition within a market or markets in the United Kingdom for goods or services, including the supply of semi-submersible accommodation support vessels in North West Europe (an area that includes the United Kingdom Continental Shelf).
2. Therefore, in exercise of its duty under section 33(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 2 March 2020, on the following questions in accordance with section 36(1) of the Act:
 - (a) whether arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and
 - (b) if so, whether the creation of that relevant merger situation may be expected to result in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.

Colin Raftery
Senior Director
Competition and Markets Authority
17 September 2019

Conduct of the inquiry

3. On 17 September 2019, the CMA [referred](#) the anticipated acquisition by Prosafe SE of Floatel International Limited (the Merger) for an in-depth Phase 2 investigation by a group of CMA panel members.
4. On 19 September 2019, the CMA published a [Notice of extension to statutory period](#) which extended the statutory deadline for reporting to 23 March 2020.
5. The CMA published the biographies of the members of the inquiry group conducting the phase 2 inquiry on the inquiry [webpage](#) on 17 September 2019 and the administrative timetable for the inquiry was published on the inquiry [webpage](#) on 21 October 2019.
6. We issued detailed questionnaires to various third parties including competitors and customers of Prosafe and Floatel (the Parties). We supplemented these questionnaire responses with a number of telephone calls as well as supplementary written questions. Evidence submitted during Phase 1 was also considered in Phase 2.
7. We received written evidence from the Parties in the form of submissions and responses to information requests. The Parties' response to the Phase 1 decision was published on the inquiry [webpage](#) on 7 November 2019.
8. On 29 October 2019, the CMA published an [Issues Statement](#) setting out the areas on which the Phase 2 inquiry would focus. The Parties' response to our Issues Statement was published on the inquiry webpage on [25 November 2019](#). We received no other responses to the Issues Statement.
9. Members of the inquiry group, accompanied by CMA staff, attended a presentation at the Parties' solicitors' offices on 8 November 2019.¹
10. During our inquiry, we sent the Parties a number of working papers for comment. We also sent an annotated Issues Statement to the Parties, which outlined our emerging thinking at that point, prior to their respective hearings.
11. We held separate hearings with each of the Parties on 18 December 2019.
12. A non-confidential version of our provisional findings report has been published on the inquiry [webpage](#). As we have provisionally concluded that the Merger may be expected to result in an SLC within the market for the supply of semi-submersible ASVs in NW Europe, including the United

¹ This was in lieu of a visit to one of the Parties' ASVs due to practical and other considerations.

Kingdom, a notice of possible remedies has also been published on the inquiry [webpage](#). Interested parties are invited to comment on both of these documents.

13. We would like to thank all those who have assisted in our inquiry so far.

Appendix B: Tender data analysis

Introduction

1. This Appendix provides further information on our analysis of tender data provided by customers, the Parties and competitors. We carried out this analysis to understand:
 - (a) Whether and how different ASV types and vessels located in different regions compete with one another; and
 - (b) The closeness of competition between Prosafe, Floatel and other competitors.
2. The purpose of this Appendix is to provide more information on the construction of the Parties Dataset and Customer Dataset and assumptions used as well as provide additional results to those in the main body of the provisional findings.

Description of data

3. We requested data on all tenders of ASVs in the period 2014 to 2019 from the Parties, customers and competitors. These datasets have mostly been analysed separately although we did match tenders between the Parties' Dataset and Customer Dataset where possible. We start by providing an overview of each of the datasets.

Customer Dataset

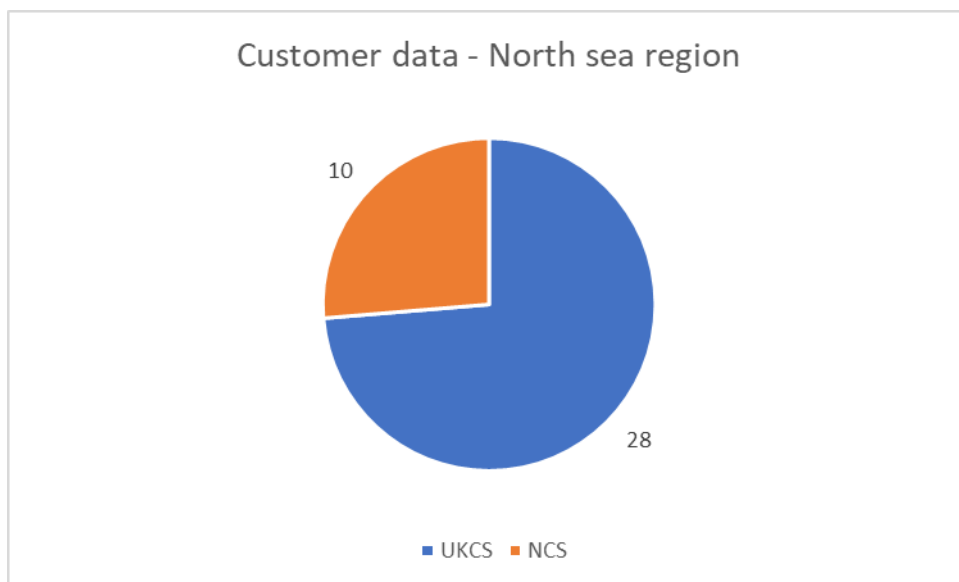
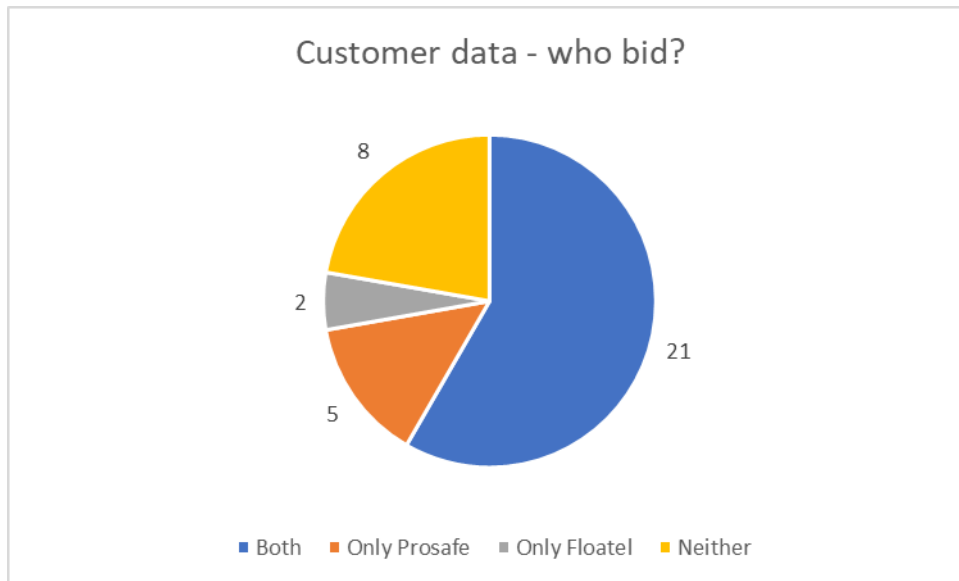
4. The customer Dataset covers 38 tenders from 8 customers² over the period January 2014 to October 2019. Where customers have provided additional tenders for earlier dates or for projects starting work in the future, these have also been included. See 'Overview of customer tenders' below for tender-by-tender information. The data contains the following customer project information:
 - (a) Project name
 - (b) Continental shelf (UKCS/NCS)
 - (c) Specific location

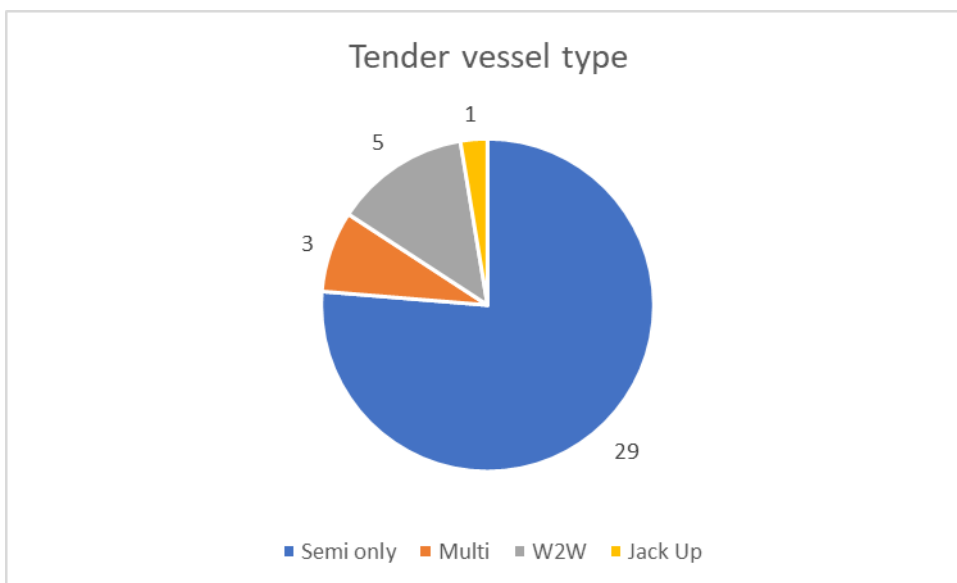
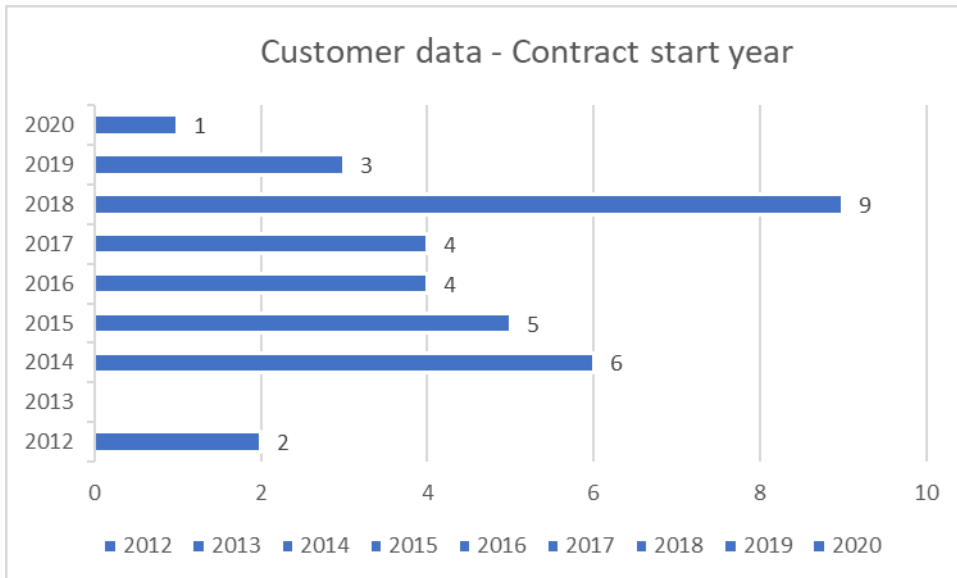
² Equinor, Total, BP, Chrysaor, Repsol Sinopec, Premier Oil, Shell and Var Energi

- (d) How the ASV was contracted (tender, auction or other)
- (e) Year and month of the invitation to submit offers
- (f) Which vessel types were specifically requested
- (g) Reason(s) for requesting these vessel types
- (h) PoB requirements
- (i) Type of work (Hook up, maintenance or other)
- (j) Water depth at location
- (k) Maximum wave height at location
- (l) Platform type (fixed or floating)
- (m) Gangway requirements
- (n) Contract value (mostly provided in \$)
- (o) Contract start date
- (p) Contract length (days)
- (q) Whether the contract was extended and if so for how long
- (r) Which suppliers with which ASVs submitted offers in the initial tendering stage
- (s) Which suppliers did not qualify and the reasons for that
- (t) The final ranking of qualified ASVs indicating the winner
- (u) Final day rates submitted by the qualified ASVs (\$)
- (v) Mobilisation charge quoted by the qualified ASVs if separate from day rate (\$)
- (w) Any other charges by the qualified ASVs if separate from day rate (\$)
- (x) Reason why the winner was chosen from the qualified candidates
- (y) Main differences between winning bid and runner up
- (z) Main differences between runner up and 3rd bid

5. Figure 1 shows some of the characteristics of the customer data set which shows that:
- (a) The majority of the tenders have a specific requirement for a semi-submersible ASV;
 - (b) The majority of tenders are in the UKCS; and
 - (c) In the majority of tenders both of the Parties bid.

Figure 1: Customer tender set overview





Source: CMA analysis of Customers tender data.

Note: Start year is unknown for some of the tenders. One of the tenders was 'farmed out' (already contracted by one customer which then transferred it to another), 3 negotiated directly, while the rest were tendered in a competitive process.

Parties' Dataset

6. The data provided by the Parties covers the period September 2014 to September 2019 for tenders in NW Europe, either on the UKCS or the NCS. It covers [redacted] opportunities in this period. The data contains the following information:

(a) Customer project information which consists of:

- (i) Facility name
- (ii) Facility location (UKCS or NCS)

- (iii) Specific facility location within the continental shelf.
 - (iv) Water depth (meters) at site.
 - (v) Anticipated maximum wave height at site
 - (vi) Start and finish date
 - (vii) Duration (days)
 - (viii) Whether the contract was extended and if so for how long
 - (ix) Work type (HUC, MMO or other)
 - (x) Competitive process of the project (i.e. whether it was tendered, directly negotiated or something else)
- (b) Project ASV requirements, which includes:
- (i) Required capacity (PoB)
 - (ii) Type(s) of vessels specified by customer
 - (iii) Reason for type(s) of vessel being requested
 - (iv) Environment and seabed capabilities
 - (v) Whether there were any other specific requirements
- (c) Information on the winning supplier which includes:
- (i) Name of winning supplier
 - (ii) Name of winning vessel
 - (iii) Description of vessel type
- (d) Information on the bids of the Parties which consists of:
- (i) (Prosafe only) Whether it bid and if it did not the reason why it didn't
 - (ii) Which vessels were offered, including the vessel type, location and state of vessel at the point of initial tender submission
 - (iii) Prosafe provided an estimated cost per day (\$) for each vessel it bid, including a breakdown of this into: Non recoverable costs, IRM (inspection, repair and maintenance), Insurance, Safety and Crew.

Floatel provided a general range in terms of costs per day for the UKCS and NCS separately

- (iv) Day rate in initial and final offer (\$)
 - (v) Mobilisation fee in initial and final offer (\$)
 - (vi) Demobilisation fee in initial and final offer (\$)
 - (vii) Project management fee in initial and final offer (\$)
 - (viii) The total value of the initial and final offer (\$)
 - (ix) Reasons for differences between the initial and final offers
 - (x) Whether there were post-tender negotiations
 - (xi) The outcome of any post-tender negotiations.
- (e) Information on competitors which includes:
- (i) Additional bidders the Party was aware of
 - (ii) Potential additional bidders the Party was aware of
 - (iii) Whether the Party was aware if the other Party was participating in the tender
 - (iv) Information on who was the runner-up
 - (v) What were the key reasons for the contract being awarded to the supplier that won.
7. Figure 2 shows some of the characteristics of the tenders in the Parties' Dataset, it shows that:
- (a) The majority of the tenders are in the UKCS; and
 - (b) The majority of the tenders specified only semi-submersible ASVs were required.

Figure 2: Parties' Dataset overview

[✂]

Assumptions: changes and additions

Matching between Customer Dataset and Parties' Dataset

8. We tried to match the tenders in the Customer Dataset to those in the Parties' Dataset. We were able to match 25 tenders out of the [X] in the Parties' Dataset. We then checked whether the vessel type(s) requested in the Customer Dataset were the same as the type(s) listed in the Parties' Dataset. If there was a discrepancy between the two datasets we adjusted the Parties' Dataset to match the Customer Dataset on the basis that a customer ought to have the most accurate understanding of its own requirements.
9. This has resulted in 8 tenders in the Parties' Dataset changing from Multi³ to semi-submersible ASV only, 1 from semi-submersible ASV only to Multi, one into Jack up ASV only and one into W2W only.
10. As we were not able to match all of the tenders in the Parties' Dataset we rely more on the Customer Dataset for our analysis in relation to vessel requirements.

Currencies

11. Most of the contracts in the Customer Dataset are priced in USD. Some respondents instead provided figures in GBP. To compare total contract values across customers we have converted all USD figures into GBP. We have used HRMC's yearly exchange rate⁴ based on the year the contract was signed.

Adjusted day rates

12. For most contracts the day rate is not the only price charged to the customer: other costs such as mobilisation and demobilisation charges are charged separately. Sometimes there are also extensions which can be priced differently.
13. To look at the Parties' pricing over time we have recalculated adjusted day rates to include all other costs separately charged and averaged across the full duration of the complete project (including extensions).

³ A project where a semi-submersible ASV and at least one other vessel type were mentioned in the project requirements.

⁴ <https://www.gov.uk/government/publications/exchange-rates-for-customs-and-vat-yearly>

Results

14. In this section we provide additional results not covered in the main body of the provisional findings.

Customer Dataset

Customer shares

15. Table 1 shows the relative shares of the customers in the Customer Dataset based on share of tenders and share of tender value. It only looks at tenders where a semi-submersible ASV won.

Table 1: Share of Customers in Customer Dataset when semi-submersible ASV won in NW Europe

<i>Customer</i>	<i>Share of total</i>	<i>Share of Value</i>
Equinor	[20-30%]	[30-40%]
Total	[10-20%]	[0-10%]
BP	[20-30%]	[30-40%]
Chrysaor	[0-10%]	[0-10%]
Repsol	[0-10%]	[0-10%]
Premier Oil	[0-10%]	[0-10%]
Shell	[0-10%]	[0-10%]
Var Energi	[0-10%]	[0-10%]

Source: CMA analysis of Customer Dataset.

16. Tables 2 and 3 further break this down for both the UKCS and the NCS.

Table 2: Share of Customers in Customer Dataset when semi-submersible ASV won in the UKCS

<i>Customer</i>	<i>Share of total</i>	<i>Share of Value</i>
Equinor	[0-10%]	[10-20%]
Total	[10-20%]	[0-10%]
BP	[40-50%]	[40-50%]
Chrysaor	[0-10%]	[0-10%]
Repsol	[0-10%]	[10-20%]
Premier Oil	[0-10%]	[10-20%]
Shell	[10-20%]	[0-10%]

Source: CMA analysis of Customer Dataset.

Table 3: Share of Customers in Customer Dataset when semi-submersible ASV won in the NCS

<i>Customer</i>	<i>Share of total</i>	<i>Share of Value</i>
Equinor	[60-70%]	[70-80%]
Var Energi	[30-40%]	[20-30%]

Source: CMA analysis of Customer Dataset.

Tender winners - Customer dataset

17. Table 4 shows the winners in the Customer Dataset and their share of wins of both the full dataset and the subset of tenders where the requirements specified only a semi-submersible ASV. We also present the share of value won for each tender.

Table 4: Tender winners in the Customer dataset

<i>Supplier</i>	<i># of wins (all tenders)</i>	<i>All tenders</i>		<i>Tenders where a semi-submersible ASV only was requested</i>		
		<i>% Share of wins</i>	<i>% share of value</i>	<i># of wins (semi – submersible only)</i>	<i>% Share of wins</i>	<i>% share of value</i>
Prosafe	[8]	[40-50]	[40-50]	[8]	[50-60]	[40-50]
Floatel	[8]	[20-30]	[40-50]	[8]	[30-40]	[40-50]
Master Marine	[8]	[0-10]	[10-20]	[8]	[0-10]	[0-10]
Fred Olsen	[8]	[0-10]	[8]	[8]	[0-10]	[8]
CosI	[8]	[0-10]	[0-10]	[8]	[0-10]	[0-10]
Noble	[8]	[0-10]	[0-10]	[8]	[0-10]	[0-10]
Solstad	[8]	[0-10]	[0-10]	[8]	[0-10]	[0-10]
Olympic	[8]	[0-10]	[0-10]	[8]	[0-10]	[0-10]
Harkand	[8]	[0-10]	[0-10]	[8]	[0-10]	[0-10]
Total	[8]	[8]	[8]	[8]	[8]	[8]

Source: CMA analysis of the Customer tender data.

18. In line with the results of the bidding analysis based on the Parties' Dataset, Table 4 shows the following:

- (a) The Parties won the majority of the tenders in the full customer dataset with a combined share of [65-75]%, and an even higher share in terms of value at [75-85]%.

(b) In the subset of tenders where the requirement specifically mentions a semi-submersible ASV, the proportion won by the Parties was even higher at [80-90]% of tenders and [90-100]% of tenders by value.

(c) [REDACTED].

19. In the tenders won by competitors, the Parties did not bid in every instance:

[REDACTED].

Parties' Dataset

Tender winners – Parties' Dataset

20. Table 5 shows the winners and their shares of wins in both the full dataset and the subset of tenders where the requirement specifically mentioned only a semi-submersible ASV.

Table 5: Tender winners in the Parties Dataset

Supplier	All tenders		Tenders where a semi-submersible ASV only was requested	
	# of wins (all tenders)	% Share	# of wins (semi – submersible only)	% Share
Prosafe	[REDACTED]	[40-50]	[REDACTED]	[50-60]
Floatel	[REDACTED]	[30-40]	[REDACTED]	[40-50]
Harkand	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Cosl	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Noble Drilling	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Seajacks	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Rowan	[REDACTED]	[0-10]	[REDACTED]	[0-10]
GC Rieber	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Shipping Master	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Marine	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Edda	[REDACTED]	[0-10]	[REDACTED]	[0-10]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of the Parties tender data

21. Table 5 shows that the Parties combined have won three quarters of all of the tenders in the dataset and all of the subset of semi-submersible ASV only tenders.

22. Similarly to the Customer Dataset above, the Parties did not bid in all of these tenders:

[REDACTED]

Overview of Customer tenders

23. In this section we provide a detailed, granular description of each of the tenders in the customer data set.

[✂]

Glossary

ASV	Accommodation support vessel. ASVs primarily support offshore oil and gas operations where any available on-platform accommodation is insufficient and so extra accommodation is provided by the ASV .
the Act	The Enterprise Act 2002.
BP	BP Plc.
CMA	Competition and Markets Authority.
COSL	COSL Drilling Europe AS.
Chrysaor	Chrysaor Holdings Limited.
Cold-stacked	A vessel is cold-stacked when it is not expected to be used for some time. Crewing and essential services are reduced to a minimum.
Customer Dataset	The combined tender data provided by customers; see Appendix B for more details.
DP	Dynamic Positioning is a computer-controlled system to automatically maintain a vessel's position and heading by using its own propellers and thrusters. Sensors provide information to the computer pertaining to the vessel's position and the magnitude and direction of environmental forces affecting its position.
Drilling Rig	A drilling rig is a rig which drills wells. Whilst their primary purpose is drilling, drilling rigs are occasionally used to provide offshore accommodation as well.
Equinor	Equinor ASA.
FPSO	Floating Production Storage and Offloading Unit. A floating vessel used by the offshore oil and gas industry for the production and processing of hydrocarbons, and for the storage of oil.
Floatel	Floatel International Limited.
the Guidelines	CMA's Merger Assessment Guidelines (CC2 Revised).

HSE	The Health & Safety Executive.
HUC	Hook-up and commissioning.
Inquiry Group	Group of CMA panel members conducting this inquiry.
Issues Statement	Statement of 29 October 2019, in which the CMA set out the main issues envisaged to be relevant to its phase 2 investigation.
Jack-up rig	A jack-up rig is a type of mobile platform that consists of a buoyant hull fitted with a number of movable legs, capable of raising its hull over the surface of the sea. The buoyant hull enables transportation of the unit and all attached machinery to a desired location.
MMO	Maintenance, modification and operation.
Macro Offshore	A provider of ASVs formed by the merger of Master Marine and Crossway Holdings.
Master Marine	Master Marine recently merged with Crossway Holdings to become Macro Offshore .
Merger	The anticipated merger between Prosafe and Floatel .
Monohull	A type of boat having a single hull ('ship shaped'), unlike multi-hulled boats which can have two or more hulls connected to one another.
Multi	A project where a semi-submersible ASV and at least one other vessel type were mentioned in the project requirements.
Multi-purpose vessels	Multi-purpose vessels are vessels that can be deployed for use to support more than one function. For example, a vessel may provide accommodation support as well as support to drilling operations and/or heavy lifting.
NCA	Norwegian Competition Authority.
NCS	Norwegian Continental Shelf.
NW Europe	The UKCS and the NCS combined.

OOS	OOS International.
Offshore Accommodation Units	Offshore accommodation units are units utilised for the provision of accommodation at offshore oil and gas facilities, or platforms, throughout a field lifecycle
PoB	Personnel-on-board.
POSH	PACC Offshore Services Holdings Ltd.
Parties' Dataset	The combined tender data from the Parties , see Appendix B for more details.
Parties	Prosafe and Floatel collectively.
Phase 1 Decision	CMA Decision to refer the Merger for a phase 2 inquiry.
Platform Type	Type of production platform by reference to whether it is fixed or floating or other.
Premier Oil	Premier Oil plc.
Prosafe	Prosafe SE.
Provisional Findings	Provisional findings on the Merger dated 30 January 2020, a non-confidential version of which was published on the inquiry webpage on 30 January 2020.
RoW	Rest of the World.
Repsol Sinopec	Repsol Sinopec Resources UK Limited.
SLC	Substantial lessening of competition.
SPS	Special Periodic Survey. A survey to assess the seaworthiness and integrity of a vessel undertaken periodically.
Semi-submersible ASV	<p>A vessel, designed as an accommodation support vessel, for use by oil and gas companies in offshore locations.</p> <p>The deck of the ASV is supported by hollow columns linked to large pontoons. Once in position, seawater is pumped into the pontoons and columns to partially submerge the vessel.</p>

Shell	Shell U.K. Limited.
Stacked	A vessel that may be either warm- or cold- stacked.
TSVs	Tender Support Vessels.
Teekay Offshore	Teekay Offshore Partners LP.
Total	Total SA, a multinational integrated oil and gas company.
UK	United Kingdom.
UKCS	United Kingdom Continental Shelf.
Walk to Work vessels or W2Ws	W2W vessels are ASVs whereby the vessel goes alongside the offshore platform and the workforce crosses a gangway temporarily attached to the platform.
Warm-stacked	Vessels are warm stacked, so that they are ready for use when needed, usually for short periods such as when they are in-between contracts or locations. A vessel is taken to a port and kept running in a state similar to as if it was operating.