

# Anticipated merger between Noble Corporation and Maersk Drilling

## SUMMARY

1. On 10 November 2021, Noble Corporation (**Noble**) and The Drilling Company of 1972 A/S (**Maersk Drilling**) signed a business combination agreement pursuant to which they agreed to merge (**the Merger**). Noble and Maersk Drilling are together referred to as **the Parties**, and, for statements referring to the future, as the **Merged Entity**.
2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that each of Noble and Maersk Drilling is an enterprise; that these enterprises will cease to be distinct as a result of the Merger; and that the share of supply test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.
3. The Parties overlap in the supply of jack-up rigs for offshore drilling for oil and gas worldwide, including in the North Sea. The CMA found that other types of drilling rigs (such as semi-submersible rigs) are not generally substitutable with jack-up rigs because each type of drilling rig is better suited to different water depths and environmental conditions. The CMA also found that different types of jack-up rigs vary in their technical specifications making them more or less suitable for particular projects, but can and do compete for certain projects in the North Sea. The CMA therefore assessed the impact of the Merger in the supply of all jack-up rigs for offshore drilling without any further segmentation, but took into account differences between types of jack-up rigs in its competitive assessment.
4. The CMA found that the geographic frame of reference encompasses Denmark, the Netherlands and the UK (**NW Europe**) as there are frequent movements of jack-up rigs between these three countries and the same suppliers bid for contracts across the region. The CMA found that it would not be appropriate to widen the frame of reference to include Norway (or beyond) given more limited movements of jack-up rigs between NW Europe and the rest of the world. In relation to Norway specifically, the CMA also found that technical and regulatory requirements in Norway are more stringent than in NW Europe, day rates for jack-up rigs are significantly higher and

the suppliers bidding for contracts are not the same. The CMA has therefore assessed the impact of the Merger in the supply of jack-up rigs for offshore drilling in NW Europe, including the UK.

5. In assessing the competitive effects of the Merger, the CMA considered a range of evidence including shares of supply, tender data, internal documents and evidence from third parties. The CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in NW Europe, including the UK, in particular for the following reasons:
  - (a) The supply of jack-up rigs for offshore drilling in NW Europe is concentrated, with four main suppliers: the Parties, Valaris and Borr Drilling. The Parties' combined shares of supply are high and have been relatively stable over time.
  - (b) Tender data shows significant competitive interaction between the four main suppliers, including between the Parties. The tender data shows that both Parties regularly bid against each other and are successful winning contracts.
  - (c) Other evidence, including the Parties' internal documents and evidence from third parties also shows that the Parties pose an important competitive constraint on one another. The majority of customers who responded to the CMA's investigation have expressed concerns about the impact of the Merger on competition.
  - (d) The CMA found that Valaris exerts a strong constraint on the Parties, and that Borr Drilling also exerts an important constraint. Aside from Valaris and Borr Drilling, the CMA found that Swift Drilling and Well-Safe Solutions exert only a limited constraint, with their ability to compete being restricted to a small subset of drilling projects in NW Europe, namely projects in the southern part of the North Sea (in the case of Swift Drilling) and 'plug and abandonment' projects, ie when customers prepare the offshore oil and gas reservoir to be closed permanently (in the case of Well-Safe Solutions). The CMA does not consider that any other supplier exerts a material competitive constraint on the Parties.
  - (e) Given the limited nature of the remaining constraints that the Merged Entity would face post-Merger, the CMA does not consider that these are sufficient to prevent a substantial lessening of competition (**SLC**), given the concentrated nature of the market and the loss of competition that would result from the Merger.
6. The CMA has not seen evidence of entry that would be timely, likely and sufficient in response to the Merger. As such, the CMA believes that entry or expansion would not be sufficient to prevent a realistic prospect of a SLC as a result of the Merger.

7. The CMA therefore believes that the Merger gives rise to a realistic prospect of a SLC as a result of horizontal unilateral effects in the supply of jack-up rigs for offshore drilling in NW Europe, including the UK.
8. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). The Parties have until 29 April 2022 to offer an undertaking to the CMA that might be accepted by the CMA. If no such undertaking is offered, then the CMA will refer the Merger pursuant to sections 33(1) and 34ZA(2) of the Act.