

Anticipated Acquisition by Baker Hughes Nederland Holdings B.V. of Oz MidCo AS (Altus Intervention)

Decision on relevant merger situation and substantial lessening of competition

ME/7007/22

Please note that [X] indicates figures or text which have been deleted or replaced in ranges at the request of the parties or third parties for reasons of commercial confidentiality.

SUMMARY

1. On 18 March 2022, Baker Hughes Nederland Holdings B.V. (**BH**) agreed to acquire Oz MidCo AS and its subsidiaries that include Altus Intervention AS (**Altus**) (the **Merger**). BH and Altus are together referred to as the **Parties**, and for statements relating to the future, the **Merged Entity**.
2. The Competition and Markets Authority (CMA) believes that it is or may be the case that each of BH and Altus 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. Both Baker Hughes and Altus supply various well intervention services in the UK, including to operators active on the UK continental shelf. Well intervention services are essential services used by oil and gas operators to manage well production, provide well diagnostics and modify a well's state or configuration. The Parties overlap in the supply in the UK of a range of well intervention services, including:
 - (a) coiled tubing services (**CT**), which involve the supply of a long flexible pipe used to convey fluids, tools or gases into deviated or horizontal wells; and

- (b) standalone pumping services (**Pumping**), which involve the delivery of gases or liquids into the well;¹
4. Separately, the Parties also overlap in the following:
- (a) pipeline services (**Pipeline**),² which are services provided on newly constructed or existing pipeline facilities; and
- (b) process services (**Process**), which are services provided on non-pipeline equipment (together **PPS**).³
5. There is also a vertical relationship between the Parties' activities, with BH supplying tools, through its Sondex brand (**Sondex**), to its competitors in the supply of cased hole wireline services (**CHWL**), including Altus and others. UK CHWL suppliers use Sondex tools to supply different CHWL services, namely e-line services (**e-line**), where both Parties compete, and slickline services (**slickline**),⁴ in which Altus is present in the UK but BH is not.
6. The CMA has assessed the impact of the Merger in relation to the services in which the Parties overlap, using the following frames of reference: (i) the supply of CT in the UK; (ii) the supply of Pumping in the UK; (iii) the supply of Pipeline in the UK; and (iv) the supply of Process in the UK.
7. The CMA has found that the geographic frame of reference is the UK part of the North Sea including onshore UK (**UK**) for CT, Pumping, Pipeline and Process and that it would not be appropriate to widen to include the **non-UK part of the North Sea** (or beyond), given the importance to UK customers of having UK-based suppliers and the difficulties in moving staff and equipment by suppliers from the UK to the non-UK part of the North Sea or vice versa.
8. The CMA has found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in the (i) supply of CT in the UK; and (ii) supply of Pumping in the UK.
9. In relation to the supply of CT in the UK, the CMA has found that the supply of CT in the UK is highly concentrated. The Parties are the two largest suppliers

¹ Pumping services can be provided as standalone or as an ancillary service with CT.

² These include filling, cleaning, gauging, isolating, pressure testing, dewatering drying or chemically conditioning a pipeline.

³ Non-pipeline equipment is for example processing facilities on offshore oil- and gas platforms, refineries, petrochemical plants and gas processing plants.

⁴ CHWL involves services in completed or 'cased' wells, specifically: i) e-line, which uses an electric cable; and ii) slickline, which uses a non-electric steel cable, for the maintenance of a well.

and have held a very high combined share in the supply of CT in the UK in the last three years. The Merged Entity would be the main supplier of CT, being twice the size of any other competitor. The evidence available to the CMA indicates that the Parties are the closest competitors in the supply of CT in the UK and that the Merger would remove a strong competitive constraint on each of the Parties. The CMA found that, other than Halliburton, which poses the main constraint on the Parties, other suppliers such as Well Services Group and Schlumberger do not pose a material competitive constraint on the Parties.

10. In relation to the supply of Pumping in the UK, the CMA found that the supply of Pumping in the UK is highly concentrated. The Parties are two of the three largest suppliers and have held a very high combined share in the supply of Pumping in the UK in the last three years. The Merged Entity would be the main supplier of Pumping in the UK, being seven times the size of any other competitor. The evidence considered by the CMA shows that the Parties are very close competitors in the supply of Pumping in the UK and that the Merger would remove a strong competitive constraint on each of the Parties. After the Merger, Halliburton would be the main competitor to the Parties in the supply of Pumping in the UK, with IKM and other smaller suppliers posing only a much weaker constraint.
11. The CMA found that entry and/or expansion is not likely to be timely and sufficient to offset the effects of the substantial reduction of competition resulting from the Merger in the supply of CT and Pumping in the UK.
12. The CMA therefore believes that the Merger gives rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in the (i) supply of CT in the UK; and the (ii) supply of Pumping in the UK.
13. The CMA found that the Merger does not raise competition concerns in: (i) the supply of Pipeline in the UK; and (ii) the supply of Process in the UK. In both of these markets, the CMA found that the combined share of the Parties is moderate. The CMA also found that, while the Parties compete against each other, they are not particularly close competitors. There are other competitors that compete at least as closely with the Parties as the Parties with each other. The Merged Entity will continue to be constrained by (at least) IKM, Halliburton and EnerMech, all of which impose a strong competitive constraint on the Parties.

14. The CMA also considered whether the Merged Entity might foreclose its rivals in the supply of e-line and slickline in the UK, by restricting access to CHWL tools.
15. The CMA did not find competition concerns in relation to the vertical effects of the Merger. The CMA considers that the Merged Entity is unlikely to have the ability to foreclose downstream rivals in the supply of CHWL in the UK. The Merged Entity does not appear to hold upstream market power, in relation to the supply of CHWL tools to UK customers, because downstream rivals could switch to several alternative suppliers (with some rivals self-supplying these tools at present). At most, the Merged Entity only has the ability to foreclose a small number of its CHWL rivals in relation to limited number of tools.
16. Even if the Merged Entity had the ability to foreclose certain customers (ie those that do not currently self-supply CHWL tools and have a large stock of BH's CHWL tools), any harm to these suppliers would likely be limited. These suppliers have a limited market position (some of the most significant competitors to the Merged Entity self-supply CHWL tools so would be largely unaffected by any attempted foreclosure strategy). On this basis, the CMA does not believe that the foreclosure of these rivals would substantially lessen overall competition in the downstream market.
17. The CMA is therefore considering whether to accept undertakings under section 73 of the Enterprise Act 2002 (the **Act**). The Parties have until 29 November 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.

ASSESSMENT

PARTIES

18. BH is a USA and UK headquartered energy technology company offering a wide range of equipment and services across the energy value chain and industry including in well intervention services and PPS to oil and gas producing customers worldwide.⁵ BH is a wholly owned subsidiary of Baker Hughes Holdings LLC and of its ultimate parent company Baker Hughes Company.⁶ BH's turnover in the financial year (FY) 2021 was approximately £15 billion worldwide, of which £[X] million was generated in the UK.⁷
19. Altus is a Norwegian headquartered company specialising in well intervention services and PPS to oil and gas producing customers worldwide.⁸ Altus is a wholly owned subsidiary of Oz MidCo AS and its ultimate parent company is Altus Intervention Holdings AS.⁹ Altus' turnover in FY 2021 was approximately £[X] million worldwide, of which £[X] million was generated in the UK.¹⁰

TRANSACTION AND RATIONALE

20. On 18 March 2022, pursuant to a share purchase agreement, BH (and Baker Hughes Oilfield Operations LLC acting as a guarantor) agreed to acquire 100% of the issued and outstanding shares of Oz MidCo AS from Altus Intervention Holdings AS for a consideration of approximately £[X] million.¹¹
21. The Parties informed the CMA that the Merger was also the subject of review by the competition authority in Norway which cleared the Merger on 17 May 2022.
22. The Parties submitted that the main purpose of the Merger is to enhance BH's competitiveness in the supply of well intervention services through the addition of complementary technology and expertise and improve BH's

⁵ Final Merger Notice submitted to the CMA by the Parties on 21 September 2022 (FMN), paragraphs 2, 38 and 48; Parties' response to question 10 of the CMA's request for information 1 (RFI 1) dated 18 July 2022.

⁶ FMN, Annex 030.

⁷ FMN, paragraphs 43 and 62.

⁸ FMN, paragraph 51.

⁹ FMN, paragraph 12 and 14.

¹⁰ FMN, paragraphs 52 and 62.

¹¹ FMN, paragraph 14.

capabilities in the development of integrated well intervention services which would allow it to compete against [§<].¹²

23. The CMA found that the internal documents submitted by BH are broadly consistent with BH's stated rationale for the Merger, noting that BH's main rationale for the Merger was to fill the gaps in its portfolio in relation to [§<] well intervention services ([§<]).¹³

PROCEDURE

24. The CMA's mergers intelligence function identified this transaction as warranting an investigation.¹⁴ The Merger was considered at a Case Review Meeting.¹⁵

JURISDICTION

25. Each of BH and Altus is an enterprise. As a result of the Merger, these enterprises will cease to be distinct.
26. In relation to the supply of a number of well intervention and PPS services the CMA believes that the Parties' combined share of supply in the UK exceeds 25% and would result in an increment. In 2021, the Parties' combined share in the supply of CT (by value) was [60-70]% with an increment of [30-40]% arising from the Merger (see paragraph 104).¹⁶ The CMA therefore believes that the share of supply test in section 23 of the Act is met.
27. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation. The initial period for consideration

¹² FMN, paragraph 3.

¹³ For example, BH states in an internal document updating [§<] about the possible Merger that the Merger would [§<] and [§<] in more economic terms than developing itself (BH's response to the section 109 notice, Annex BH_0000456, slide 4). [§<] (FMN, Annex 013, page 3).

¹⁴ See [Mergers: Guidance on the CMA's jurisdiction and procedure \(CMA2revised\)](#), January 2020 (**CMA2**), paragraphs 6.4-6.6.

¹⁵ CMA2, page 43 and paragraphs 9.29 to 9.39.

¹⁶ The Parties submitted that the Merger constituted a relevant merger situation for the purposes of the Act on the basis that the Parties together supply more than 25% of CT services in the UK (FMN, paragraph 61). The CMA believes that the share of supply test is also met in relation to other well intervention and PPS services: a) the supply of Pumping (by value), in which the Parties' combined share of supply was [70-80]% in 2021 with an increment of [50-60]% arising from the Merger; b) the supply of Pipeline (by value), in which the Parties' combined share of supply was [40-50] % in 2021 with an increment of [20-30]% arising from the Merger; and c) in the supply of Process (by value), in which the Parties' combined share of supply was [30-40]% in 2021 with an increment of [10-20]% arising from the Merger.

of the Merger under section 34ZA(3) of the Act started on 28 September 2022 and the statutory 40 working day deadline for a decision is 22 November 2022.

COUNTERFACTUAL

28. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual).¹⁷ For anticipated mergers, the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. In this case, there is no evidence supporting a different counterfactual, and the Parties and third parties have not put forward arguments in this respect.¹⁸ Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

BACKGROUND

29. Well intervention services encompass a range of interventions carried out in oil and gas wells, such as: a) managing well production; b) providing well diagnostics (eg production logging; evaluating well integrity); and c) modifying the well's state or configuration. A range of interventions are carried out in oil and gas wells and different conveyance methods are used to reach into the well for these interventions, depending on well conditions and services performed.¹⁹ Within well intervention services, the Parties overlap in CT, Pumping and CHWL.
30. CT is a conveyance method consisting of a continuous length of small diameter flexible pipe which conveys fluids, tools, chemicals or gases. Unlike CHWL, CT can be used in horizontal or highly deviated wells which require tools to be pushed or pulled in the well.²⁰
31. Pumping involves the delivery of gases or liquids from the surface into the well and can be provided as an ancillary service to CT, when the CT reel is

¹⁷ [Merger Assessment Guidelines](#), paragraph 3.1.

¹⁸ FMN, paragraph 71.

¹⁹ The Parties presentation to the CMA at a teach-in meeting on 7 July 2022 (**Teach-in presentation**), FMN, Annex 065, slide 5.

²⁰ FMN, paragraph 97.

filled with fluid, or provided separately to CT where the pump is connected directly to the well.²¹

32. CHWL is a light well intervention service that involves services in completed or 'cased' wells.²² CHWL can be performed with either an e-line or a slickline as the conveyance method. An e-line is an electric cable that is lowered into the borehole and permits the transmission of data in real time such as data obtained using wireline logging tools and data to operate the tools attached to the wireline.²³ A slickline is a steel cable that does not have electric conducting capacity.²⁴
33. In addition to well intervention services, the Parties overlap in PPS. PPS comprise a range of services aimed at preparation, maintenance and inspection of Pipeline or Process facilities during an entire life cycle of a well.²⁵ Pipeline is provided on newly constructed or existing pipelines.²⁶ Process services are associated with non-pipeline equipment (eg processing facilities on offshore oil and gas platforms, refineries, petrochemical plants and gas processing plants). Pipeline and Process services are used for both i) pre-commissioning (the process during which the pipeline is tested and prepared for first use) and ii) maintenance (during the operational life of pipelines). A separate set of Pipeline services are used for in-line inspection (ILI), which involves inspecting pipelines for threats, such as cracks or corrosion.²⁷ A significant portion of activity in the PPS sector in the UK relates to the supply to the large marine operators²⁸ (eg Subsea 7, Boskalis, Technip FMC), with the rest to pipeline and process facility owners (eg BP, Ineos, TotalEnergies).²⁹

²¹ FMN, paragraph 99 and 101. Pumping services involve operations such as injection of scale inhibitors (scale inhibiting chemicals – to avoid deposition of solids in the wellbore), circulation of acid or solvent washes (to remove depositions from the wellbore, pumping of weighted fluids to 'kill' the well, or the injection of nitrogen gas to help the well flow).

²² For example formation, evaluation, production logging, perforating or mechanical and remedial services such as the checking of cement or casing corrosion. FMN, paragraph 80.

²³ FMN, paragraph 86

²⁴ Services using slickline principally involve the provision of maintenance and mechanical intervention services in order to manage the production flow which can include the placement and retrieval wellbore hardware, such as plugs gauges and valves FMN, paragraph 87.

²⁵ Examples of Process and Pipeline facilities include platforms, refineries, petrochemical plants and gas processing plants. Teach-in presentation, slide 16.

²⁶ Such pipelines refer to lines of connected pipes used for transporting oil and gas from production fields to process facilities and from process facilities to end users. These include filling, cleaning, gauging, isolating, pressure testing, dewatering drying or chemically conditioning a pipeline. FMN, paragraph 132.

²⁷ Such as filling, flushing, cleaning, internal inspection, bolt torque/tensioning, pressure testing, leak testing, drying, purging, and chemical conditioning. FMN, paragraph 133.

²⁸ FMN, footnote 148

²⁹ Teach-in presentation, slide 9.

FRAME OF REFERENCE

34. The assessment of the relevant market is an analytical tool that forms part of the analysis of the competitive effects of the merger and should not be viewed as a separate exercise.³⁰ Market definition involves identifying the most significant competitive alternatives available to customers of the merger firms and includes the sources of competition to the merger firms that are the immediate determinants of the effects of the merger.³¹
35. The Parties overlap in i) CT; ii) Pumping; iii) e-line;³² (iv) Pipeline; and (v) Process. Within the services of Pipeline and Process, the Parties overlap in relation to maintenance both in Process and Pipeline. BH is not present in Pipeline pre-commissioning and Altus is not present in process pre-commissioning. Only Baker Hughes is present in ILI.³³
36. In well intervention services, the Parties also have a vertical relationship whereby BH supplies Altus and other competitors with CHWL tools, used in the supply of slickline and e-line services.³⁴

Product scope

Parties' submissions

37. The Parties considered that it is appropriate to distinguish between different types of well intervention services as separate frames of reference.
38. In relation to CT, the Parties submitted that CT is used for conveyance and is generally more expensive than e-line.³⁵ While CT suppliers have different technical capabilities and some cannot meet customers' requirements in relation to certain functions, the Parties submitted that the CMA could assess

³⁰ [Merger Assessment Guidelines](#), paragraph 9.1.

³¹ [Merger Assessment Guidelines](#), paragraph 9.2.

³² The CMA has not found concerns relating to the supply of e-line mainly due to BH's small share of supply, as well as evidence from third parties and the Parties' tender data, that indicates that the Parties are not close competitors. The CMA, however, discusses the appropriate frame of reference in relation to these services for the purpose of the assessment of a vertical theory of harm below (see paragraph 66).

³³ FMN, paragraphs 156 and 279, and the Parties' response to question 2 of the CMA's RFI 9, dated 26 October 2022.

³⁴ Altus also supplies PMS, including tractors, in the UK, whereas BH does not supply these services. The CMA has not found concerns relating to a vertical theory of harm in relation to the supply of tractors/PMS, as Altus has never leased or sold these to a third-party well intervention services supplier in the UK, nor subcontracted/partnered with such a third-party to allow that third-party to supply using Altus' equipment. Furthermore, evidence received from third parties and the Parties indicate that tractors/PMS are only used in a very small proportion of CHWL overall.

³⁵ FMN, paragraphs 102-103.

the effects of the Merger in relation to CT as a whole on a conservative basis.³⁶ The Parties did not propose to distinguish between the supply of CT offshore and onshore, because apart from how the reel is mounted, the range of CT services is generally the same onshore and offshore.³⁷

39. In relation to Pumping, the Parties submitted that all CT operations will involve some pumping of fluid or gases (often nitrogen) through the CT unit.³⁸ However, pumping can also be provided on a standalone basis without CT.³⁹ The Parties submitted that there is no demand-side substitution between CT and Pumping due to the differences between these two services, as Pumping is used for specific services such as ‘scale squeezes’,⁴⁰ while CT customers demand a broader range of applications with heavier equipment.⁴¹ From a supply-side perspective, the Parties submitted that there are suppliers in the UK North Sea that offer pumping without CT.⁴² The Parties also submitted that it is not appropriate to further segment the market for Pumping.⁴³
40. In relation to PPS, the Parties submitted an all-PPS product market is plausible because PPS customers largely consider the same suppliers for each of pipeline and process services, and these suppliers cover the range of pipeline and process services (except for ILI) using the same personnel to provide them.⁴⁴ The Parties stated that the same equipment can be used to perform many different types of PPS service and that PPS suppliers assemble the required equipment in different combinations depending on the scope of work.⁴⁵ However, the Parties also submitted that narrower markets of (i) Pipeline and (ii) Process could also be plausible, although it is not necessary to segment them further.⁴⁶ The Parties further submitted that under Pipeline, the Parties’ [X] are differentiated as Altus [X] marine operators in the UK

³⁶ FMN, paragraph 143.

³⁷ FMN, paragraph 142.

³⁸ Parties’ response to question 13 of the CMA’s RFI 1.

³⁹ FMN, paragraph 144.

⁴⁰ Scale squeezes refers to chemicals that are pumped into a well to prevent an onset of scaling.

⁴¹ FMN, paragraph 147.

⁴² FMN, paragraphs 146-147. See also, FMN, Annex 065; page 13.

⁴³ FMN, paragraph 149.

⁴⁴ The Parties response to the Issues Letter dated 11 November 2022 (**Parties’ response to the Issues Letter**), paragraph 5.

⁴⁵ The Parties’ response to question 5 of RFI 11.

⁴⁶ FMN, paragraph 157. The Parties noted that in [Halliburton/PSL Energy Services](#), the OFT found that there was mixed evidence regarding whether different types of Pipeline and Process should be considered separately or together. Ultimately, the OFT left the definition of the precise product open. FMN, paragraph 155.

([§]) while BH [§] marine operators.⁴⁷ The remaining Pipeline work relates to pipeline operators (that contract directly with suppliers) that [§].⁴⁸

41. In relation to CHWL tools, the Parties explained that CHWL tools used in e-line can transmit real-time data, while this is not possible for tools used in slickline.⁴⁹ The Parties submitted, however, that some of BH's CHWL tools (eg tools used for memory logging) can be deployed alternatively on e-line or slickline.⁵⁰ The Parties also submitted that in GE/Baker Hughes, the European Commission (**EC**) considered the distinction between open cased hole wireline services (**OHWL**) and CHWL tools, but ultimately left the exact scope open.⁵¹ As the vertical link between Altus and BH only concerns CHWL tools, the Parties proposed CHWL tools as the narrowest plausible market.⁵²

CMA's assessment

CT

Substitutability between CT and other well intervention services

42. The CMA has not seen any evidence from third parties that CT and other well intervention services such as e-line and slickline are close substitutes from a supply- or demand-side perspective. Evidence received from the Parties indicated differences between the purpose of CT and other well intervention services.⁵³ The CMA also considers the competitive dynamics are different between CT compared to other well intervention services.⁵⁴ This is also supported by the Parties' internal documents, which typically discuss CT separately from other well intervention services and consider their own market position and the position of their competitors specifically in CT.⁵⁵ The CMA

⁴⁷ Parties' response to Issues Letter, paragraph 12.

⁴⁸ Parties' response to Issues Letter, paragraph 14.

⁴⁹ FMN, paragraph 388; The Parties also noted that: i) the tools used for slickline would, for example, include tools for cleaning wellbores or tools for setting or pulling plugs; ii) the tools used for e-line would include, for example, tools used to assess wellbore characteristics or tools used for making precise incisions, where real-time transmission of data is required, FMN, paragraphs 87 and 147.

⁵⁰ Parties' response to questions 4 and 5 of the CMA's RFI 6, dated 28 September 2022.

⁵¹ FMN, paragraph 160. European Commission decision of 31.05. 2017 in Case M.8297 – [GE/Baker Hughes](#), OJ C 133, 27/04/2017, p. 7 (**Case M.8297 – GE/Baker Hughes**).

⁵² FMN, paragraph 161.

⁵³ Teach-in presentation, slide 5.

⁵⁴ Later sections of this Decision discuss the competitive dynamics in CT as well as other well intervention services.

⁵⁵ For example: FMN, Altus Annex 025, page 56. Altus' response to section 109 notice, Annex 001, Annex 002, page 39, Annex 096, page 12; BH's response section 109 notice, Annex BH_0000168, page 9; Annex BH_0000307, page 9.

therefore believes that CT belongs to a separate frame of reference from other well intervention services.

CT provided with pumping as an ancillary service

43. CT is provided with pumping as an ancillary service. The CMA considered whether CT, and pumping that is provided alongside CT, should form separate frames of reference. A competitor submitted to the CMA that pumping must always be provided when CT is used.⁵⁶ From the supply-side, the Parties submitted that the competitor set was the same for the supply of CT with pumping and CT only,⁵⁷ and that in the Parties' experience, customers virtually never split CT and ancillary pumping services between different suppliers and have little incentive to do it.⁵⁸ The CMA has not seen any evidence where pumping has been provided alongside CT by a different supplier to the provider of CT.
44. The CMA therefore believes it is not appropriate to distinguish between the supply of CT and pumping that is provided as an ancillary service to CT, as separate frames of reference.

Segmentation of CT by type of use

45. The Parties explained that in the North Sea, CT is predominantly used for wellbore cleanout, milling of debris and velocity string insertion,⁵⁹ and that it is also possible to connect the CT string to other tools such as those used for logging or plug setting, and that both Parties provide a range of services with CT. One of the Parties' competitors confirmed that a range of services are provided with CT.⁶⁰
46. The CMA notes that in one of Altus' internal documents, [X] is discussed separately.⁶¹ However, the CMA does not consider it necessary to segment CT services. This is because third-party evidence, the Parties' tender data and the Parties' internal documents do not indicate that the competitor set would be different depending on the type of CT services that are used. Further, the type of technology used is not materially different for different CT services provided. As such, segmenting CT services by type of use would not

⁵⁶ Third Party response to the CMA's questionnaire.

⁵⁷ FMN, footnote 172.

⁵⁸ Parties' response to question 2 of the CMA's RFI 5, dated 21 September 2022.

⁵⁹ The insertion of tubing into the well to stimulate production.

⁶⁰ Note of a call with a Third Party.

⁶¹ For example, Altus' response to section 109 notice, Annex 060, page 34 and page 56.

materially change the CMA's views on the effects of the Merger. Therefore, for the purpose of its competition assessment below, the CMA has not segmented CT services by type of use.

Pumping

47. Separate from the Pumping as an ancillary service to CT, pumping can also be performed without CT.
48. As mentioned above, the Parties described various differences in the nature of services provided with standalone pumping compared to CT,⁶² and the CMA has not seen any evidence of demand-side substitution between CT and Pumping as a standalone service. In addition, the Parties' tender data indicates that CT and standalone pumping services are procured separately. This was also confirmed by one of the Parties' competitors.⁶³
49. Further, supply-side substitutability appears limited. The competitive dynamics between CT and standalone pumping services are different, with suppliers having a different relative position in the supply of CT and Pumping.⁶⁴ Evidence from the Parties' internal documents indicates that standalone pumping is discussed separately from CT albeit there are a number of instances where it is discussed alongside CT.⁶⁵ Finally, a competitor that responded to the CMA's Merger investigation submitted that when pumping is used with CT, this requires larger equipment, as pumping requires a large amount of fluid to be pumped into the well.⁶⁶
50. The CMA therefore believes that Pumping provided without CT belongs to a separate frame of reference.

Distinction between the supply of CT and Pumping onshore/offshore

51. As mentioned above, the Parties submitted that for both CT and Pumping, onshore demand in the UK is limited and that both BH and Altus [§<]. The CMA, therefore, has not found it necessary to conclude on the possible distinction between onshore and offshore in relation to the supply of CT and

⁶² FMN, paragraphs 101, 146 and 147, and the Parties' response to question 2 of the CMA's RFI 5, dated 21 September 2022.

⁶³ Note of a call with a Third Party.

⁶⁴ For example, Altus's response to section 109 notice, Annex 060, pages 34 and 56. FMN, paragraphs 101, 146 and 147, and the Parties' response to question 2 of the CMA's RFI 5, dated 21 September 2022.

⁶⁵ Altus' response to question 5 of the CMA's notice under section 109, Annex 006 (the example of an invitation to tender for the supply of Pumping, in addition to CT), Annex 96, page 11 and Annex 62, page 3, [§<].

⁶⁶ Note of a call with a Third Party.

Pumping. The CMA has assessed the effects of the Merger by reference to the supply of CT and Pumping, including both onshore and offshore services.

Pipeline and Process

Substitutability between Pipeline and Process

52. Given the differences in the nature of Pipeline and Process services,⁶⁷ the CMA considers there to be no demand-side substitutability. For example, one customer submitted that for Pipeline it uses a main contractor that subcontracts to other suppliers, while for Process it uses direct contracts because the projects are of smaller scope.⁶⁸ The Parties' tender data also indicates that customers tend to tender for Pipeline and Process separately.⁶⁹
53. Evidence on the supply-side substitutability is less clear. As described above, the Parties submitted that the same equipment (other than for ILI) can be used to provide both Pipeline and Process. However, there are differences in the competitive dynamics in the supply of Pipeline and Process.⁷⁰ While the Parties' internal documents tend to discuss PPS in general, there are instances where Process and Pipeline are discussed separately.⁷¹
54. Given that no competition concerns arise on any plausible basis, the CMA, has not found it necessary to conclude on whether a wider frame of reference covering all PPS services would be appropriate. The CMA has assessed the effects of the Merger by reference to the most cautious frame of reference, considering Pipeline and Process separately.

Segmentation by type of use

55. The CMA considered whether to segment Pipeline and Process further, based on the different operations that are performed within Pipeline and Process.⁷² Process consists of two segments: (i) pre-commissioning and (ii)

⁶⁷ FMN, paragraphs 132 and 133, and Annex 065. The Parties explained that Pipeline relate to services provided on newly constructed or existing pipelines and that Process include services associated with non-pipeline equipment.

⁶⁸ Note of a call with a Third Party.

⁶⁹ See paragraph 209.

⁷⁰ See Table 5 and Table 6.

⁷¹ For example: Altus' response to section 109 notice, Annex 001, pages 15 and 144 considers PPS in general, while in: Annex 087, pages 32-34, Pipeline and Process are considered as separate [§<]. Another Altus' internal document [§<] (Annex 030). Another Altus internal document suggests [§<] (Annex 048, page 10). See also, for example, BH's response to section 109 notice, BH 0000356, page 25 and Annex BH_0000409, page 25, in which BH [§<].

⁷² See paragraph 33 and footnotes 25 and 26 above.

maintenance. Pipeline consists of (i) pre-commissioning, (ii) maintenance and (iii) ILI. The maintenance within Pipeline and Process is the only segment where both Parties had material revenue.

56. Even though the Parties' activities only currently overlap in the maintenance segment, on the basis of revenues generated, the Parties also compete in the pre-commissioning segment within Pipeline and Process.⁷³ In particular, while BH [X] in pipeline pre-commissioning, it competes to supply marine contractors that account for majority of the pre-commissioning segment. Similarly, while Altus [X] in process pre-commissioning, it has an ability to bid for such tenders.
57. Evidence from the Parties' internal documents indicates that some customers may have tenders and contracts only for, for example, [X] and some documents focus on [X].⁷⁴ The CMA considers that there appears to be differences in the competitive dynamics of the supply of Pipeline and Process depending on the type of use, as suggested by the fact that the Parties do not currently offer all types of Pipeline and Process operations.
58. With regard to ILI, only BH is active in this segment, while Altus lacks technology needed to operate in this segment. Equipment and technology used to provide ILI are different to those used in other segments of Pipeline.⁷⁵ In addition, BH competes against different competitors in this segment, such as Rosen, TDW or NDT.⁷⁶
59. Given that the Parties do not overlap in ILI, on a cautious basis, the CMA believes that ILI constitutes a separate product frame of reference.⁷⁷ Given that no competition concerns arise on any plausible basis, the CMA has not found it necessary to conclude whether further segmentation within Pipeline and Process by pre-commissioning and maintenance is appropriate in this case. The CMA considers, however, any differences between the supply of Pipeline and Process for different uses in its competitive assessment below, where appropriate.

⁷³ FMN, paragraph 156 and the Parties' response to question 2 of the CMA's RFI 9, dated 26 October 2022. Parties' response to Issues Letter, Annex 2, page 14.

⁷⁴ For example, Altus' response to section 109 notice, Annex 012; BH's response to section 109 notice, Annex 0000265, Annex 0000050, and Annex 0000389.

⁷⁵ FMN, paragraph 279.

⁷⁶ FMN, paragraph 156.

⁷⁷ Given lack of overlap, the CMA does not consider ILI further. Going forward, Pipeline refers to pre-commissioning and maintenance, unless stated otherwise.

Segmentation by type of customer

60. The CMA considered whether to segment Pipeline further, based on the different types of customers within Pipeline (as described in paragraph 33 above): marine contractors and pipeline owners.
61. The Parties' customers differ within Pipeline, ie Altus contracts with the marine contractors [X], while BH [X] with marine contractors. However, evidence from the Parties' tender data and their internal documents indicates that BH [X] marine operators' tenders.⁷⁸ In addition, the Parties face the same competitors, namely [X], when tendering for [X].⁷⁹
62. Given that no competition concerns arise on any plausible basis, the CMA has not found it necessary to conclude whether further segmentation within Pipeline by type of customer is appropriate in this case. The CMA considers, however, any differences between the types of customers within Pipeline in its competitive assessment below, where appropriate.

Distinction between the supply of Pipeline and Process onshore/offshore

63. The CMA has not seen any evidence from third parties or the Parties indicating that there are materially different technical capabilities required to supply Pipeline or Process onshore and offshore. However, the CMA notes that there are some differences in the market structure in relation to the supply of Pipeline and Process onshore and offshore.⁸⁰ This may reflect the higher complexity, operating costs and liability risks associated with offshore products.
64. Given that no competition concerns arise on any plausible basis, the CMA has not found it necessary to conclude the possible distinction between the supply of Pipeline and Process services set out above for onshore and offshore is appropriate in this case. The CMA, however, considers any differences between the supply of these services onshore and offshore in the competitive assessment, where appropriate.

⁷⁸ Parties' response to Issues Letter, paragraph 12.

⁷⁹ Parties' response to Issues Letter, paragraphs 12 and 14.

⁸⁰ See paragraphs 188 and 239 below that discusses the shares of supply in Pipeline and Process. Although shares are volatile, for both Process and Pipeline, Altus was relatively stronger offshore and BH was stronger onshore in 2021, with third parties' shares also varying across offshore and onshore segments. The CMA's analysis of the Parties' and third parties' data.

Wireline services

- *Substitutability between wireline services (e-line and slickline)*

65. In line with the Parties' submissions set out above (paragraph 41), the CMA believes that CHWL and OHWL are distinct services, performed at different stages of well development and using largely different tools.⁸¹ Therefore, it is not appropriate to include both services within the same product frame of reference.
66. Within CHWL, the CMA believes that e-line and slickline belong to separate frames of reference, as there is limited demand- and supply-side substitutability. From a demand-side perspective, as described by the Parties and confirmed by third parties,⁸² these services are used for different purposes and are often contracted for separately. In addition, slickline is cheaper and faster to deploy.⁸³ From the supply-side, the competitive dynamics are different (eg BH is only active in the supply of e-line).
67. The CMA has received no evidence suggesting that it is appropriate to include all end uses of slickline and e-line within the relevant frame of reference, for example logging that is provided with e-line.⁸⁴
68. The Parties submitted that for CHWL, onshore demand in the UK is limited and both BH and Altus [3<].⁸⁵ Given that no competition concerns arise on any plausible basis, the CMA has not found it necessary to conclude any distinction between onshore and offshore in relation to the supply of slickline and e-line CHWL. The CMA, therefore, has assessed the vertical effects of the Merger by reference to the supply of slickline and e-line, including both offshore and onshore.⁸⁶

CHWL tools

69. Evidence received from competitors indicates that some tools used with e-line can be used with slickline. For example, one competitor told the CMA that its

⁸¹ Open hole services are a well evaluation service, which uses a cable (ie the wireline) in an open hole to lower logging tools into the uncased well (ie the open hole), mainly in order to gather data about the well or the reservoir.

⁸² Note of a call with a Third Party; Note of a call with a Third Party.

⁸³ Teach in presentation, slide 8.

⁸⁴ The CMA notes that in their shares of supply estimates, the Parties included 'digital slickline', which is slickline used to transmit data, in Altus' e-line revenues. The Parties submitted that these revenues have been [3<]. FMN, paragraphs 90 and 91.

⁸⁵ FMN, paragraph 170.

⁸⁶ See paragraphs 276 and 277 below.

CHWL tools are compatible with both e-line and slickline technology.⁸⁷ The CMA, therefore, believes that it is appropriate to assess the vertical effects of the Merger by reference to the supply of CHWL tools including tools for both e-line and slickline.

Geographic scope

Parties' submissions

70. In relation to CT, the Parties submitted that the North Sea is the appropriate geographic frame of reference for the supply of CT.⁸⁸ The Parties noted that whilst supply in Norway is subject to more stringent requirements, there is no technical impediment to suppliers active in Norway also supplying the UK.⁸⁹ The Parties provided some examples (based on their own intelligence) of suppliers such as Schlumberger and Halliburton moving or planning to move CT units across the North Sea in response to contract wins.⁹⁰ The Parties did not distinguish between Pumping and CT in their submissions about the geographic scope of these markets.
71. In relation to PPS, the Parties submitted that the market for the supply of PPS is global and not limited to the UK, and that the same large suppliers offer PPS services worldwide.⁹¹ While specific equipment standards must be met for certain operational areas, PPS equipment usually meets universal standards, and it is easy to move equipment around the world.⁹² The Parties also noted that supplying PPS typically involves specialist expertise, and this expertise can be sourced locally.⁹³
72. In relation to wireline services, the Parties submitted that the appropriate geographic frame of reference for wireline services is either EEA plus the UK or the North Sea but that the exact definition can be left open.⁹⁴ The Parties cited [*GE/Baker Hughes*](#), in which the EC considered that the geographic scope of the market for CHWL could be EEA-wide in scope or possibly smaller.⁹⁵

⁸⁷ Note of a call with a Third Party.

⁸⁸ FMN, paragraph 150.

⁸⁹ FMN, paragraph 150.

⁹⁰ FMN, paragraphs 150–153.

⁹¹ FMN, paragraph 159 and the Parties' response to the Issues Letter, paragraph 6.

⁹² FMN, paragraph 159.

⁹³ FMN, paragraph 159.

⁹⁴ FMN, paragraph 140.

⁹⁵ FMN, paragraphs 139 and 140. Case M.8297 – [*GE/Baker Hughes*](#), paragraph 87.

73. For all services described above, the Parties submitted that the North Sea – including the UK North Sea – is the main place where these services are provided in Europe. Therefore, it is natural that UK-based equipment, facilities and personnel are used to supply well intervention and PPS services to customers in the UK. In addition, the Parties submitted that the relative value of services provided elsewhere using UK based staff and equipment is not a meaningful indicator of the geographic frame of reference.⁹⁶
74. In relation to CHWL tools, the Parties submitted that the market for sale of CHWL tools is global in scope, or at least as broad as the EEA plus the UK, as CHWL tools suppliers generally sell their equipment worldwide and customers source globally.⁹⁷ The Parties also stated that, based on BH's experience, sales to a customer subsidiary in any given country are often relocated and used globally and [X] are similar in different regions around the world.⁹⁸

CMA's assessment

- *CT and Pumping*

75. The CMA believes that the available evidence indicates that the appropriate geographic frame of reference for both CT and Pumping is the UK due to limited demand- and supply-side substitution as described below:
- (a) On the demand-side, many UK customers that responded to the CMA's Merger investigation submitted that they value well intervention suppliers having a local presence in the UK.⁹⁹ For example, one CT and Pumping customer said that considering suppliers from non-UK parts of the North Sea is not its preferred strategy if sufficient competition is available within the UK.¹⁰⁰ Only one customer indicated it would consider non-UK suppliers to provide UK services.¹⁰¹
- (b) On the supply-side, the Parties' own data showed no [X] to the UK to supply CT.¹⁰² Competitor feedback also indicated that suppliers

⁹⁶ Parties' response to question 7 of the CMA's RFI 4, dated 16 September 2022.

⁹⁷ Parties' response to the Issues Letter, paragraph 29.

⁹⁸ FMN, paragraph 163.

⁹⁹ Third Party responses to the CMA's questionnaire.

¹⁰⁰ Third Party response to the CMA's questionnaire.

¹⁰¹ Third Party response to the CMA's questionnaire.

¹⁰² In relation to the Parties' submission in paragraph 60, the CMA notes that the origin of equipment and staff shows whether presence in the UK is needed to provide services in the UK and suggests whether it is easy for

providing CT and Pumping in the UK largely use UK staff,¹⁰³ and UK competitors largely do not move equipment from the non-UK parts of the North Sea to the UK. One competitor submitted to the CMA that there were certain limitations in equipment allocation due to strict compliance requirements of countries such as Norway and Denmark making movement of equipment difficult in those regions, and also noting difficulty of moving equipment from UK to another because of transport costs and Brexit.¹⁰⁴ Similarly, customer feedback indicated that UK-based entities were considered by customers in well intervention services in general and that suppliers with limited presence in the UK shipping equipment for CT from outside the UK incurred significant shipment costs.¹⁰⁵

- (c) Evidence from the Parties' internal documents, and one third-party report commissioned by Altus, shows that the Parties assess the market conditions for the supply of CT and Pumping specifically in relation to the UK and [X].¹⁰⁶ An Altus internal document states [X].¹⁰⁷ The competitive dynamics in the supply of CT and Pumping differ significantly between the UK compared to the non-UK parts of the North Sea.¹⁰⁸

- *Pipeline and Process*

76. The CMA believes that the available evidence from third parties and the Parties' internal documents indicates that the appropriate geographic frame of reference is the UK for both Pipeline and Process, due to limited demand- and supply-side substitutability between suppliers with and without a UK presence as described below:

equipment to be moved around based on changes in market conditions. Furthermore, the CMA has considered this evidence together with third-party evidence which highlighted the importance of a local presence and difficulty of moving certain equipment for the supply CT; FMN, paragraph 361, and the Parties' response to question 7 of the CMA's RFI 4, dated 16 September 2022.

¹⁰³ Third Party responses to the CMA's questionnaire.

¹⁰⁴ Note of a call with a Third Party.

¹⁰⁵ Note of a call with a Third Party; Note of a call with a Third Party; Third Party responses to the CMA's questionnaire.

¹⁰⁶ See for example: Altus' response to questions 1, 2, and 3 of section 109 notice, Annex 002, page 39 and 43, Annex 004 and Annex 096, page 12; BH's response to question 1 of the section 109 notice, BH_0000350, page 7, Annex BH_0000013, page 13 and 31. See also FMN, Annex 18, page 11.

¹⁰⁷ Altus' response to section 109 notice, Annex 001, page 3.

¹⁰⁸ BH and Altus are stronger in the UK. Two competitors ([X], and [X]) supply CT in the North Sea but not currently in the UK. One of these suppliers, [X]. CMA analysis of the Parties, and third parties' data.

- (a) UK customers that responded to the CMA's Merger investigation said that they value PPS suppliers having a local presence in the UK.¹⁰⁹ For example, one PPS customer said that PPS requires equipment in the UK, and to get it to or from outside of the UK presents unnecessary interfaces and increased costs.¹¹⁰ Several other customers indicated that using non-UK equipment for UK projects would not be cost effective.¹¹¹ Only one customer indicated it would consider non-UK suppliers for UK services.¹¹²
- (b) The evidence on the movement of PPS equipment from the non-UK parts of the North Sea to the UK has been mixed. Two competitors stated that only a minority ([<])% of staff utilised to provide PPS in the UK are utilised by the non-UK part of their North Sea operations.¹¹³ On the other hand, evidence from other competitors suggests that they have provided PPS for some projects in the UK using equipment from the non-UK parts of the North Sea.¹¹⁴ However, the fact that the Parties and two of their main competitors (EnerMech and Halliburton) are UK-headquartered indicates the importance of having a UK presence for the supply of PPS services for UK customers.
- (c) Some of BH's internal documents consider the conditions of competition and [<] at a European level (including the UK),¹¹⁵ while other strategic internal documents of each of the Parties assess the market conditions for the supply of PPS specifically for the UK and [<] separately from the [<].¹¹⁶

- *Wireline services*

77. The CMA believes that the available evidence indicates that the appropriate geographic frame of reference for the supply of both e-line and slickline is the UK, due to limited demand- and supply-side substitution between suppliers with and without a UK presence, as described below:

¹⁰⁹ Third Party response to the CMA's questionnaire.

¹¹⁰ Third Party response to the CMA's questionnaire.

¹¹¹ Third Party responses to the CMA's questionnaire.

¹¹² Third Party response to the CMA's questionnaire.

¹¹³ Third Party responses to the CMA's questionnaire.

¹¹⁴ Third Party responses] to the CMA's questionnaire.

¹¹⁵ For example, BH's response to section 109 notice, BH_0000010, page 2 and 3 and BH_0000157, page 44.

¹¹⁶ For example: Altus' response to section 109 notice, Annex 004, page 13, Annex 001; page 81, 146 and 3. BH's response to section 109 notice, [<], specifically, BH_0000265, page 5, Annex 0000050, and Annex 0000389.

- (a) On the demand-side, feedback from UK customers indicated they value well intervention suppliers having a local presence in the UK.¹¹⁷ Only a few customers indicated they would consider non-UK suppliers of e-line or slickline to provide UK services.¹¹⁸
- (b) On the supply-side, the Parties' own data showed no [§<] to the UK to supply e-line or slickline services. Suppliers of e-line and slickline services in the UK largely use UK staff and do not move equipment from the non-UK parts of the North Sea to the UK.¹¹⁹ None of the main suppliers of e-line or slickline in the UK generated any revenue from e-line or slickline services provided in the UK using non-UK North Sea equipment.¹²⁰ In some of the Parties' internal documents [§<] by reference to the UK.¹²¹

- *CHWL tools*

78. The CMA believes that the evidence is mixed but is generally indicative of a global frame of reference for CHWL tools for the following reasons:

- (a) On the demand-side, UK customers who are CHWL services competitors do not have differentiated preferences or requirements for CHWL tools compared to customers in other regions.¹²² This was corroborated by one CHWL competitor that considers tools are purchased on a global basis, and another CHWL competitor told the CMA it did not track UK tools purchases separately from global purchases.¹²³ The evidence available to the CMA shows that CHWL end customers do not specify in tenders where CHWL tools should be sourced from.¹²⁴ Once customers have bought CHWL tools in one country, they can and do relocate equipment at their own discretion.¹²⁵
- (b) On the supply-side, the CMA considers that the competitive dynamics globally are not materially different from the UK. Transportation costs are relatively low, accounting for [§<]% of the value of BH's CHWL tool

¹¹⁷ Third Party response to the CMA's questionnaire.

¹¹⁸ Third Party responses to the CMA's questionnaire.

¹¹⁹ Third Party responses to the CMA's questionnaire.

¹²⁰ Third Party responses to the CMA's questionnaire.

¹²¹ For example: Altus' response to section 109 notice, Annex 004, page 15, Annex 2, page 39 (third-party report commissioned by Altus), Annex 001; page 77 and 83. BH's response to section 109 notice, BH 0000145, page 7.

¹²² Third Party responses to the CMA's questionnaire.

¹²³ Third Party responses to the CMA's questionnaire.

¹²⁴ Note of a call with a Third Party, and the Parties' response to the Issues Letter, Annex 3, paragraph 43.

¹²⁵ Note of a call with a Third Party, and the Parties' response to the Issues Letter, Annex 3, paragraph 16.

sales.¹²⁶ This relatively low proportion indicates that competitors could supply CHWL tools globally. This is consistent with the fact that prices in the North Sea (including the UK) of £[X] per unit are similar to average prices globally of £[X] per unit.¹²⁷ Additionally, almost [X] of Sondex's CHWL tools manufactured in the UK are sold outside of Europe.¹²⁸

79. Even if CHWL tool suppliers are able to sell CHWL tools worldwide, that does not preclude the possibility of targeting total or partial foreclosure strategies against UK CHWL competitors. This question is considered in the competition assessment of the vertical theory of harm.
80. Therefore, for the purpose of its assessment of the vertical theory of harm in relation to CHWL tools, the CMA has considered the UK as the most cautious plausible geographic frame of reference.

Conclusion on frame of reference

81. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:
 - (a) supply of CT in the UK;
 - (b) supply of Pumping in the UK;
 - (c) supply of Pipeline in the UK;
 - (d) supply of Process in the UK; and
 - (e) supply of CHWL tools to customers of e-line and slickline in the UK.

COMPETITIVE ASSESSMENT

Horizontal unilateral effects

82. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade non-price aspects of its

¹²⁶ Parties' response to the Issues Letter, Annex 3, paragraph 16.

¹²⁷ These figures apply specifically to DECT tools purchased between 2019 and 2021, based on the Parties' estimates. Parties' response to the Issues Letter, Annex 3, paragraph 16.

¹²⁸ Parties' response to the Issues Letter, Annex 3, paragraph 16.

competitive offering (such as quality, range, services and innovation) on its own and without needing to coordinate with its rivals.¹²⁹ The CMA's main consideration is whether there are sufficient remaining good alternatives to constrain the merged entity post-merger.¹³⁰ Horizontal unilateral effects are more likely when the merging parties are close competitors.¹³¹ The CMA assesses the potential competitive effects of mergers by reference to 'theories of harm'. A theory of harm is a hypothesis about how the process of rivalry could be harmed as a result of a merger.¹³²

83. The CMA has focused its investigation on four horizontal theories of harm, and has assessed whether it is or may be the case that the Merger may be expected to result in an SLC in relation to horizontal unilateral effects in:

- (a) the supply of CT in the UK (Theory of Harm 1);
- (b) the supply of Pumping in the UK (Theory of Harm 2);
- (c) the supply of Pipeline in the UK (Theory of Harm 3); and
- (d) the supply of Process in the UK (Theory of Harm 4).

General approach to shares of supply and tender analysis

84. In assessing the above horizontal theories of harm, the CMA has taken some common approaches in relation to shares of supply, tender data and margin analysis. These are set out below.

Approach to shares of supply

85. Shares of supply can be useful evidence when assessing closeness of competition,¹³³ between the Parties and with other competitors. To assess the effects of the Merger on each service, the CMA has produced estimates of shares of supply based on revenue data submitted by the Parties and their competitors. The CMA has interpreted these shares in the context of a bidding market (ie paying particular attention to share stability) and in the round with other evidence, including bidding data. In bidding markets, large changes can occur when contracts are awarded, particularly in a market where there is a

¹²⁹ [Merger Assessment Guidelines](#), paragraph 4.1.

¹³⁰ [Merger Assessment Guidelines](#), paragraph 4.3.

¹³¹ [Merger Assessment Guidelines](#), paragraph 4.8.

¹³² [Merger Assessment Guidelines](#), paragraph 2.11.

¹³³ [Merger Assessment Guidelines](#), paragraph 4.14.

small number of customers with high value contracts.¹³⁴ The CMA's analysis of shares of supply is presented in the assessment of each theory of harm below.

Approach to tender analysis

86. The CMA notes that customers generally procure well intervention services such as CT and Pumping through tenders. These tenders may be issued in the form of framework agreements or as one-off standalone tenders within or outside of these framework agreements.¹³⁵ In relation to PPS, the CMA notes that the approach is similar, although tenders issued under the existing framework agreements (referred to as Master Service Agreements (**MSAs**)) are more prevalent.¹³⁶ Framework agreements can cover a specific type of service (eg CT only, Process only etc) or several different types of services (eg e-line and CT, PPS etc).
87. Tender data can be used to assess the conditions of competition.¹³⁷ Evidence of the Parties both participating in the same tenders, and evidence that they lost to one another can indicate the Parties compete closely. Similarly, tender data can indicate the extent to which other suppliers are a competitive constraint. Therefore, analysis of tender data is an important part of the CMA's assessment of the different horizontal theories of harm.
88. Using both the Parties' tender data and tender data that the CMA obtained separately from the Parties' customers, the CMA has assessed the closeness of competition between the Parties and with other competitors by considering the percentage of bids (in terms of number and value):
- (a) each Party *participated* in, in which the other also participated (ie they overlapped with each other); and
 - (b) the Parties *lost* to each other and to each competitor.¹³⁸

¹³⁴ In the context of this transaction we note that: Altus' top [X] customers account for [X]% of well intervention revenue in the UK, while BH's top [X] customers account for [X]% of its well intervention revenue in the UK. FMN, paragraph 189.

¹³⁵ FMN, paragraphs 193-194.

¹³⁶ Parties' response to question 4 of the CMA's RFI 8, dated 24 October 2022.

¹³⁷ [Merger Assessment Guidelines](#), paragraph 4.13.

¹³⁸ As discussed above, well intervention services and PPS may be procured as the result of framework agreements, call offs from existing framework agreements or as the result of standalone tenders. The Parties submitted data on contract type. The CMA has not considered it appropriate to distinguish between different types of tenders (because of the small number of tenders) in its analysis, although it recognises that there are limitations to not doing so. Parties' response to question 5 of the CMA's RFI 9, dated 24 October 2022.

89. The tender data covers the period between 2018-2022. The CMA notes that the Parties' data only covers contracts for which the Parties bid. In terms of customer tender data, the CMA contacted only the Parties' customers (and not all those customers provided data) - the CMA has not contacted customers who have not contracted with either of the Parties. Neither dataset used by the CMA, therefore, provides a complete depiction of competition in each market.

90. The CMA has taken into account the specific limitations of the tender data in relation to each theory of harm and interpreted it in the round with other evidence.

- *The Parties' tender data*

91. Each of the Parties submitted data for tenders in which they participated during 2018-2022, and data on whether they won or lost these tenders.¹³⁹ Additionally, the Parties specifically identified which tenders they believed they both participated in.¹⁴⁰

92. Where the Parties lost tenders, Altus provided the CMA with who they believed won the tenders, whereas BH provided who they believed was their main competitor (the competitor the BH team believed to be the strongest).¹⁴¹ BH submitted that in most cases the main competitor was the winner,¹⁴² however, the CMA notes these differences in each Party's data. The CMA has updated the perceived main competitor and winner columns with actual outcomes in the small number of instances where they can be inferred by comparing the two datasets.¹⁴³

93. The data the CMA received from the Parties contains the number of tenders that the Parties participated in and the value of each of these tenders. The CMA has considered both of these measures. The CMA notes in some circumstances there is some double counting of tender value, where the value

¹³⁹ Annex 042 – Bid data (updated), Parties' response to question 6 of the CMA's RFI 7, dated 30 September 2022.

¹⁴⁰ Parties' response to question 1 b) of the CMA's RFI 7, dated 30 September 2022.

¹⁴¹ FMN, paragraphs 369 and 378; Parties' response to question 24 and 25 of the CMA's RFI 1.

¹⁴² FMN, paragraph 368.

¹⁴³ For instance, for overlapping tenders where BH did not identify Altus as a main competitor, but Altus indicated it won the bid, the CMA has replaced the main competitor with Altus.

of call-off work is also reflected in the expected value of the corresponding framework agreement.¹⁴⁴

94. The Parties' tender data is informative in terms of understanding the extent to which the Parties compete, and perceived competitive constraints imposed by third parties, ie who the Parties perceive as their main competitor or winner. However, it provides only limited insight into the importance of actual winners and other suppliers (in addition to the perceived main competitor or winner) and the importance of the Parties to each other in relation to these alternatives since the tender data does contain information on other participants or actual winners of tenders (when they are not the Parties).¹⁴⁵
95. The CMA notes that in the tender data, there are a significant number of unknown entries for the competitor that Altus lost to and for BH's main competitor where BH lost.¹⁴⁶ The unknown observations place limitations on the CMA's ability to assess the relative degree to which each other competitor places constraint on the Parties. However, the CMA accepts the Parties' submission that the unknown competitors are neither of the Parties.¹⁴⁷
96. The CMA notes that the Parties' revenues in each period may not necessarily align with the value of tenders won by the Parties because some revenues may be generated from tenders [X].¹⁴⁸ Nevertheless, the CMA considers that comparing the two values provides insight into the usefulness of tender data when assessing competition in the market. If the total value of the tenders in each market accounts for a very small part of the total revenue generated by each Party in that market, the CMA may place less weight in the tender analysis. The CMA presents this comparison for each theory of harm separately below.

¹⁴⁴ The Parties submitted that work awarded through call-offs is also likely subject to competition. They submitted that this means that the value is therefore not necessarily double counted. The CMA's view is that the analysis conducted by the Parties excluding such call-offs does not materially change the findings of the tender analysis. Parties' response to question 5 of the CMA's RFI 9, dated 24 October 2022; Issues Letter Response, Annex 2, Section 5.4.

¹⁴⁵ Actual and perceived competitors can differ significantly. For instance, there are [X] BH opportunities where BH identified [X] as the main competitor, [X].

¹⁴⁶ [X]% of Altus' lost Pipeline tender value was won by unknown competitors and [X]% equivalently of BH's. For Process, [X]% of Altus' lost tender value was won by unknown competitors and [X]% equivalently of BH's. For CT, [X]% of BH's lost tender value was won by unknown competitors. For Pumping, Altus and BH lost [X] each to unknown competitors, equivalent to [X]% and [X]% of lost tender value respectively.

¹⁴⁷ Parties' response to the Issues Letter, Annex 2, page 13.

¹⁴⁸ Parties' response to the Issues Letter, Annex 2, page 2.

- *Third-party tender data*

97. In addition to the Parties' data, the CMA also requested tender data from the Parties' customers covering the same services and time period.
98. The Parties' customers provided data on fewer tenders (with a lower total value) than the Parties' data, meaning this data is a much smaller sample of the actual tenders that took place. However, whilst the data provided by customers is less comprehensive, it is more accurate in relation to who the competitors were and who the winner of each tender was (when the winner was not one of the Parties). It is, therefore, informative in corroborating conclusions based on other evidence.

The Parties' margin analysis

99. The Parties submitted an econometric analysis that considers the effect on the contribution margin (incremental profitability) of BH's tenders when (i) Altus actually competed for the tender, and (ii) Altus was perceived to compete. The Parties performed this analysis using data on PPS, CT and Pumping tenders. The Parties presented conclusions for PPS as well as for Pipeline separately, and for CT and Pumping together. Overall, the Parties concluded [§<].¹⁴⁹
100. The CMA has placed no weight on the Parties' econometric analysis for any of the theories of harm since the underlying data is not sufficiently comprehensive for this type of analysis as described in the paragraph below.¹⁵⁰
101. An econometric analysis assessing the impact of competition on margins between the merger parties has limited probative value because the Parties' margins are the result of a number of variables, and it is difficult to isolate the effect of competition. Furthermore, this type of analysis focuses only on price as parameter of competition. In this particular case, the CMA deems the analysis unfit for purpose for the following reasons:

¹⁴⁹ Parties' response to the Issues Letter, Annex 4, page 1.

¹⁵⁰ In [CHC/Babcock](#), the CMA discounted an econometric analysis on the basis that the CMA disagreed with the Parties' underlying assumptions on which the analysis was based, see paragraph 6.84 and Appendix F of the Final Report.

- (a) The dataset is too small to conduct this type of analysis. There are too few tenders where Altus participates (or is the perceived competitor) to produce any robust quantitative results.¹⁵¹
- (b) The Parties' analysis accounts for a large number of factors that can influence margins, namely customer, year and product. While these factors are important and potentially indicative, it requires a large dataset and significant variation in the data to draw conclusions. For example, it is important that for a given customer there is data on tenders where [X]. The CMA considers that the dataset and variation within the dataset are not large enough to enable the required accuracy of assessment.
- (c) The Parties' analysis does not account for important factors, such as the participation of other competitors in each tender. This information is not available in the Parties' tender data.

Horizontal unilateral effects in the supply of CT in the UK (Theory of Harm 1)

102. In assessing whether the Merger raises competition concerns in the supply of CT in the UK, the CMA considered:

- (a) shares of supply;
- (b) closeness of competition; and
- (c) competitive constraints imposed on the Parties by alternative suppliers.

Shares of supply

103. The Parties submitted that CT is a small market,¹⁵² in which shares of supply mask the fact that the Parties do not compete across the full spectrum of CT.

¹⁵¹ The Parties' data submission showed [X] Pipeline tenders, [X] CT and Pumping tenders and [X] PPS (including the [X] Pipeline) tenders where [X].

¹⁵² The Parties submitted that the total size of the UK market for CT in 2021 was £[X] million (FMN, paragraph 7). The Parties made a further submission that the CMA should apply the *de minimis* exception to the duty to refer in section 33(2)(a) of the Act in the event the CMA found the Merger gave rise to an SLC in relation to the supply of CT in the UK (Parties' response to RFI 5 dated 21 September 2022). The

The Parties consider that shares of supply are a poor proxy for competition dynamics in the supply of CT.¹⁵³

104. Table 1 shows the shares of the Parties and their competitors in the supply of CT services in the UK (by revenue) between 2019-2021, based on the CMA's estimates (see paragraph 85 for methodology). The CMA considers that these shares indicate high levels of concentration in the supply of CT services. For each of the three years of data, the Parties' combined share was above 50% and the increment brought about by the Merger would be at least 20%. Altus, with a share of [30-40]%, and BH, with a share of [20-30]%, were the two largest suppliers in 2021, with Halliburton ([20-30]%) and Well Services Group ([10-20]%) being the only other suppliers present in the supply of CT in the UK in 2021.

Table 1: Shares of supply for CT in the UK, 2019-2021

Supplier	2019		2020		2021	
	Revenue £m	Share, %	Revenue, £m	Share, %	Revenue, £m	Share, %
Altus	[3<]	[30-40]%	[3<]	[20-30]%	[3<]	[30-40]%
BH	[3<]	[10-20]%	[3<]	[30-40]%	[3<]	[20-30]%
Combined	[3<]	[50-60]%	[3<]	[60-70]%	[3<]	[60-70]%
Halliburton	[3<]	[20-30]%	[3<]	[30-40]%	[3<]	[20-30]%
Schlumberger	[3<]	[5-10]%	[3<]	[0-5]%	[3<]	[0-5]%
Well Services Group	[3<]	[5-10]%	[3<]	[0-5]%	[3<]	[10-20]%
Total	[3<]	100%	[3<]	100%	[3<]	100%

starting point for the CMA is to look at the annual value of the UK market(s) concerned ([Mergers: Exceptions to the duty to refer](#), paragraph 8 and 37). Based on data obtained from the Parties and their competitors, the CMA estimated the size of the UK market for CT to be approximately £[20-25] million in 2021, which is above the £15 million *de minimis* threshold. The CMA therefore considers that the Parties have underestimated the annual value of the CT market. Further, the CMA has found that the Merger gives rise to a SLC in relation to the supply of Pumping in the UK, meaning that the value of the markets concerned is well above the *de minimis* threshold. The CMA therefore does not believe that the exception to the duty to refer on the basis of *de minimis* is applicable in this case and we do not discuss the *de minimis* criteria further in this decision.

¹⁵³ Parties' response to the Issues Letter, paragraphs 32 and 33. The CMA considers the argument about the Parties not competing 'not compete across the full spectrum of CT' in our assessment of closeness of competition.

Source: CMA analysis of the Parties' data and third-party responses

105. Shares of supply can be volatile in bidding markets. In this regard, the CMA observes (i) variations of up to 13 percentage points in suppliers' shares year on year and (ii) some volatility in the size of the market overall, with a decrease of 42% in 2021 as compared to 2019. Despite this, the Parties' combined share is relatively stable, ranging from [50-60]% to [60-70]%.
106. Whilst the CMA observes some variation in shares of supply year on year, it notes the shares of supply are still a useful indicator of the competitive strengths of different suppliers in CT in the UK when considered together with other evidence sources.
107. The CMA notes that the Parties' own estimates of their combined share of supply is higher.¹⁵⁴ The CMA's estimates are, however, more reliable, as these are based on direct submissions from competitors.
108. While the share of supply data shows that Schlumberger did not generate any material revenue in 2020 and 2021, the Parties submitted that Schlumberger is active in the UK market: it recently won a CT contract in the UK and is bidding for other opportunities in the UK.¹⁵⁵ In assessing the competitive strength of Schlumberger, the CMA took into account other sources of evidence and has not focused only on Schlumberger's share of supply in the last two years.
109. The CMA notes that BH's internal documents that present share of supply estimates are broadly consistent with the CMA's estimates, reflecting the Parties' strong market position.¹⁵⁶ Altus' internal documents that discuss market share ([X]) suggest that Altus has a higher share than estimated by the CMA, [X].¹⁵⁷ A BH internal document also notes that, in the UK, Altus and 'BKR [BH] hold [X]' together.¹⁵⁸
110. The CMA considers that the Parties' combined shares of supply in the UK are high enough to raise *prima facie* competition concerns.

¹⁵⁴ The Parties estimate a combined share of [80-90]% in 2021.

¹⁵⁵ Parties' response to the Issues Letter, paragraph 36.

¹⁵⁶ For example, FMN, Annex 018, page 11.

¹⁵⁷ For example, Altus' response to section 109 notice, Annex 001, page 83, Annex 002, page 39 and 43 (third party report, commissioned by Altus).

¹⁵⁸ BH's response to section 109 notice, Annex 00003303, page 9.

Closeness of competition

111. In assessing the closeness of competition between the Parties, the CMA considered:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender analysis; and
- (d) evidence from internal documents.

The Parties' submissions

112. The Parties submitted that there is limited head-to-head competition between them because (i) Altus does not have the capability to provide certain types of CT services, namely CT in high pressure, high temperature wells (**HPHT**) and concentric CT,¹⁵⁹ which accounted for [X]% of the CT opportunities in 2021 and [X]% in 2022,¹⁶⁰ and (ii) Altus cannot offer certain complementary services, such as cementing.¹⁶¹ The Parties also submitted that the bidding data suggests that the Parties compete on contracts valued at only around £[X] million per annum,¹⁶² and that even for some of these opportunities, Altus [X].¹⁶³

CMA's assessment

113. As a starting point, the CMA notes that closeness of competition is a relative concept, with the CMA assessing overall closeness of competition between the merger firms in the context of the other constraints that would remain post-merger.¹⁶⁴ Where the CMA finds evidence that competition mainly takes place among few firms, any two would normally be sufficiently close competitors that the elimination of competition between them would raise competition concerns, subject to evidence to the contrary. The CMA considers that the small number of significant players supports a *prima facie* expectation that the Parties are close competitors. In line with its guidelines, the CMA requires, in such a scenario, persuasive evidence that the Parties are not

¹⁵⁹ Parties' response to the Issues Letter, paragraph 34.

¹⁶⁰ FMN, paragraph 241, and the Parties' response to the Issues Letter, paragraph 34.

¹⁶¹ FMN, paragraph 241.

¹⁶² FMN, paragraph 263.

¹⁶³ FMN, paragraph 241.

¹⁶⁴ [Merger Assessment Guidelines](#), paragraph 4.10.

close competitors in order to allay any competition concerns.¹⁶⁵ The CMA has adopted the same approach for its assessment of other Theories of Harm.

Third-party evidence

114. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties are close competitors in the provision of CT:

- (a) Almost all customers told the CMA that Altus and BH compete with each other.¹⁶⁶ In addition, the Parties are each other's closest competitors on the basis of the closeness scores.¹⁶⁷
- (b) Almost all competitors told the CMA that Altus and BH compete with each other.¹⁶⁸ In addition, the Parties are each other's closest competitors on the basis of the closeness score.
- (c) Most competitors and customers stated that the Parties are close competitors because they offer similar services and/or compete for the same tenders.¹⁶⁹ Some customers also emphasised a focus or presence in the UK as reasons for the Parties being close competitors.¹⁷⁰ One competitor told the CMA that BH is the market leader, and Altus is a major player in CT.¹⁷¹
- (d) Only one customer and one competitor noted differentiation between the Parties, noting differences between the Parties' CT provision, ie Altus offers basic CT, while BH focuses on specialised technology.¹⁷²

115. The CMA considers these third-party views indicate that the Parties are close competitors in the supply of CT.

¹⁶⁵ [Merger Assessment Guidelines](#), paragraph 4.10.

¹⁶⁶ Third Party responses to the CMA's questionnaire.

¹⁶⁷ The CMA asked third parties to assign a rating from 1 to 5 to each competitor of the Parties, where 1 indicates that the supplier is the closest competitor and 5 indicates that the supplier is the most remote. The CMA only considered suppliers that were mentioned as the Parties' competitors in at least three responses.

¹⁶⁸ Third Party responses to the CMA's questionnaire.

¹⁶⁹ Third Party responses to the CMA's questionnaire; Third Party responses to the CMA's questionnaire.

¹⁷⁰ Third Party responses to the CMA's questionnaire; Note of a call with a Third Party.

¹⁷¹ Note of a call with a Third Party.

¹⁷² Note of a call with a Third Party; Note of a call with a Third Party.

Tender analysis

- *The Parties' tender data*

116. Altus submitted data for [X] tenders it participated in for CT over the period 2018 to 2022, of which it won [X] and lost [X]. BH submitted data for [X] tenders for the same period, of which it won [X] and lost [X]. The total value of all tenders in the dataset was £[X] million and £[X] million for Altus and BH respectively. Of that total value, Altus won £[X]million and BH won £[X] million. The CMA considers that the total value of won contracts in 2019-2021 accounts for a sufficiently large proportion of the Parties' revenues over the same period ([X]% for BH and [X]% for Altus) to provide meaningful insights about competition (see paragraph 96).
117. In relation to the extent to which the Parties bid against each other for CT contracts in the UK, the Parties overlapped (ie took part in the same tender) in [X] tenders,¹⁷³ which accounted for [X]% and [X]% of the value of all contracts that Altus and BH, respectively, bid for.¹⁷⁴ When looked at from the perspective of the number of contracts, these percentages are smaller – [X]% and [X]% for Altus and BH respectively – but still significant. This indicates that the Parties compete particularly closely for [X] contracts.
118. The CMA does not agree with the Parties' submissions above (paragraph 112) that the tender data provides evidence that there is limited competition between the Parties.
119. The CMA understands that, when submitting that the Parties compete on contracts valued at only around £[X], the Parties are referring to the average annual value of tender contracts over the period of 2018-2022 in which both

¹⁷³ The CMA notes that BH identified Altus as a main competitor for contracts for which Altus did not bid for. This means that even if Altus did not bid in a specific tender, it imposed a constraint on BH as a perceived bidder. The CMA additionally notes, for completeness, that if the Parties are defined as overlapping in a tender, both did, in fact, participate in that tender.

¹⁷⁴ Given overlapping tender values were reported separately by both Parties, the values provided for the same tender by either Party can differ. The Parties stated this may be due to differing price proposals or because each Party may have offered a differentiated scope of work in their proposals [Parties' response to question 4 b) of the CMA's RFI 7, dated 30 September 2022]; For completeness, the proportion of the total value of the CT tenders which overlapped has been calculated using the minimum tender value reported by either Party. This alternative overlap measure is thus a more conservative method of calculating the overlapping value. When this sensitivity is conducted the total minimum overlap value is £[X] million and the proportion of value overlapped for Altus reduces to [X]% from [X]% and to [X]% from [X]% for BH. These values are still indicative of a significant overlap.

submitted bids.¹⁷⁵ The CMA also understands that Altus cannot provide specialised CT services, namely in HPHT/CT.

120. The CMA considers, however, that this evidence cannot, by itself, be considered to support the position that the Parties are not close competitors.
121. First, BH estimates that HPHT/CT portion of CT only accounted for [%] of the opportunities in 2021 and [%] in 2022. This means that the Parties could in principle compete for the remaining [%] and [%] of opportunities in 2021 and 2022, respectively. One competitor confirmed that these specialised services are relatively rare.¹⁷⁶
122. Second the CMA considers that a more insightful measure is the total value of overlapping tenders as a proportion of all contracts (rather than absolute value). As explained in paragraph 116 above, the tenders for which both Parties bid over the whole period (2018-2022) accounted for [%] and [%] of the value of all contracts that Altus and BH, respectively, bid for. This shows that the Parties compete against each other in a significant proportion of tenders they bid for.
123. Finally, overall, evidence from third parties, tender data and the Parties' internal documents is consistent in showing that the Parties are close competitors.¹⁷⁷
124. Table 2 summarises each of the Parties' lost bids. For Altus, it shows how often Altus lost to each of its competitors (including BH). For BH, it shows how often BH lost to Altus, or, where Altus did not win, how often BH identified each of its competitors as the main competitor. These results suggest the Parties lost a significant proportion of bids to one another. Altus lost [%] out of [%] ([%]) bids to BH and BH lost [%] out of [%] ([%]) bids to Altus. Of

¹⁷⁵ The share of overlapping tenders is based on the tender data period for 2018 to 2022 (4.5 years). Altus and BH tendered for £[%]million and £[%] million during the same period. The Parties overlapped in tenders worth a total of £[%] million based on Altus' tender value and £[%] million based on BH's. These figures are consistent with the £[%] million per annum figure provided by the Parties.

¹⁷⁶ Note of call with a Third Party.

¹⁷⁷ The Parties also submitted that [%] out of [%] overlapping tenders referred to contracts that included large portions of CT for which Altus lacked technical capability (Parties' response to the Issues Letter, paragraph 41). The CMA believes that if Altus decided to bid for an opportunity, it constrained Baker Hughes, at least to some degree, in particular because Altus could subcontract or partner with other supplier to perform the part of the contract it could not perform itself. Therefore, the tender data is a good reflection of the competition between the Parties. This is also acknowledged by the Parties, which explained that tender data shows the extent to which the Parties compete and implicitly captures differences in capability between BH and Altus (FMN, paragraph 24).

the total value each Party lost, Altus won [X]% of BH's losses and BH won [X]% of Altus'.

Table 2: Winner/main competitor in tenders lost by each Party for CT contracts in the UK

<i>Tenders lost by</i>	<i>Winner (Altus) or main competitor (BH)</i>	<i>No. tenders won / named main competitor</i>	<i>% of Parties' tenders won/ named competitor</i>	<i>Value of tenders</i>	<i>Percentage of value won/ named competitor</i>
Altus ([X] tenders lost)	BH	[X]	[X]	[X]	[X]
	Halliburton	[X]	[X]	[X]	[X]
	Schlumberger	[X]	[X]	[X]	[X]
BH ([X] tenders lost)	Altus	[X]	[X]	[X]	[X]
	Halliburton	[X]	[X]	[X]	[X]
	Schlumberger	[X]	[X]	[X]	[X]
	Schlumberger & Halliburton	[X]	[X]	[X]	[X]
	Unknown	[X]	[X]	[X]	[X]

Source: CMA analysis of the Parties' tender data

125. The Parties' tender data implies the Parties participate frequently in the same tenders. The Parties also win a significant proportion of bids the other has lost in terms of number and value. The CMA therefore concludes that the tender data analysis supports the view that the Parties compete closely with one another.

- *Customer tender data*

126. The CMA collected tender data from tenders conducted by the Parties' customers during the period 2018-2022. The CMA received tender data for CT from seven customers, with each customer providing data on one tender each.¹⁷⁸ Most tenders submitted by customers covered the UK and one covered the North Sea (including UK).¹⁷⁹ This sample of CT tenders was much smaller than that provided by the Parties for the same period.¹⁸⁰

127. At least one of the Parties participated in each of these CT tenders and the Parties overlapped in most tenders.¹⁸¹ Out of the [X] bids lost by BH, [X]

¹⁷⁸ Third Party responses to the CMA's questionnaire. For context, Altus' tender data showed they had participated in the tenders of [X] different customers, winning tenders for [X] different customers. BH's tender data showed they had participated in the tenders of [X] different customers, winning tenders with [X].

¹⁷⁹ Three tenders were submitted that did not include the UK, Third Party responses to the CMA's questionnaire. Third Party responses to the CMA's questionnaire.

¹⁸⁰ These customer bids account for [30-40]% of the value of the won contracts in Altus' tender data and [40-50]% of the value of the won contracts in BH's tender data. The customer CT tender value total for 2019-2021 is between [20-30]% of the total market revenues presented in Table 1.

¹⁸¹ Third Party responses to the CMA's questionnaire.

were lost to Altus, while Altus won [X] out of [X] customer tenders and lost [X].¹⁸² The Parties were at least [X] of the winners in most tenders and only lost [X] tender to third parties.¹⁸³

128. The customer tender data indicates that the Parties frequently bid against one another and that they therefore compete closely in the provision of CT. While the customer tender dataset is small, it corroborates the position, in relation to the closeness of competition between the Parties, indicated by the combined shares of supply and the Parties' tender data.

Internal documents

129. Evidence from the Parties' internal documents is also consistent with the Parties being close competitors.
130. In relation to BH, one BH internal document describes Altus a [X] competitor in CT in the UK.¹⁸⁴ Other documents show that BH considers Altus as a competitive threat in the supply of CT in the UK.¹⁸⁵ In a few internal documents, BH [X] Altus' [X] (as well as the [X] of a few other suppliers) [X].¹⁸⁶ In one of these documents, BH considers as a risk the '[X]'.¹⁸⁷
131. In relation to Altus, one of Altus' internal document about a multiservice tender including the supply of CT in the UK appears to suggest that Altus expected BH to be [X] compared to other competitors considered in its analysis.¹⁸⁸ The CMA also notes that, while the Parties submitted that Altus is not a credible competitor for all CT requirements, Altus' internal documents show that Altus [X]¹⁸⁹ and expected to [X] to secure additional CT work.¹⁹⁰

¹⁸² Third Party responses to the CMA's questionnaire. In respect of one tender for which a customer submitted data, the customer listed Altus as the winner, however in the spreadsheet, it appears that the customer mistakenly attributed the value for this tender to a row for BH and the proportion of the tender awarded was marked at 100% for BH. The CMA has therefore assumed the winner was Altus and considered the value of the tender to have been won by Altus. In any event, this does not drastically change the CMA's analysis as one of either of Altus or BH won the tender thereby demonstrating that the Parties competed against, and lost to, each other.

¹⁸³ Third Party responses to the CMA's questionnaire.

¹⁸⁴ BH's response to section 109 notice, Annex BH_0000307, page 9.

¹⁸⁵ For example, one document shows that BH considered Altus as a threat [X]. (BH's response to section 109 notice, Annex BH_0000220, page 8). In other BH's internal documents, Altus is perceived [X]. The same internal documents state that [X] (BH's response to section 109 notice, Annex BH_0000164, slide 4, Annex BH_0000169, slide 4 comprises the same statement).

¹⁸⁶ BH's response to section 109 notice, Annex BH_000013, Annex BH_0000052, Annex BH_0000210.

¹⁸⁷ BH's response to section 109 notice, Annex BH_000013, page 58 and Annex BH_0000210, page 1. See also, Altus' response to section 109 notice, Annex 096, page 12, where Altus is mentioned as a competitor.

¹⁸⁸ Altus' response to section 109 notice, Annex 096, page 12.

¹⁸⁹ Altus' response to section 109 notice, Annex 001, page 77.

¹⁹⁰ Altus' response to section 109 notice, Annex 096, page 16.

Conclusion on closeness of competition

132. The CMA considers that the different sources of evidence set out above are consistent with each other in that they indicate that the Parties are the closest competitors in the supply of CT in the UK and that the Merger will remove a strong competitive constraint on each of the Parties. This is on the basis that:

- (a) The CMA's share of supply show that the Parties were amongst the three main suppliers of CT in the UK in the last three years, being the largest suppliers in 2021.
- (b) The majority of third parties view the Parties as the closest competitors in the supply of CT.
- (c) The Parties' tender data shows the Parties competed against each other in around [X] of all bids and that this represented more than [X] of the total tender value. Of the bids lost by each of the Parties, more than [X] were lost to each other. The tender data submitted by customers corroborates the conclusions drawn from the Parties' tender data.
- (d) The Parties' internal documents show that [X].

Competitive constraints

133. Unilateral effects are more likely where customers have little choice of alternative suppliers. The CMA considered whether there are alternative suppliers that would provide a competitive constraint on the Merged Entity, by assessing:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender data;
- (d) evidence from internal documents; and
- (e) the supply of CT as part of the supply of other well intervention services.

The Parties' submissions

134. The Parties submitted that they face strong competition in the supply of CT from existing players such as Halliburton, Schlumberger, Well Services Group and Expro.¹⁹¹ According to the Parties, i) Halliburton will become a more aggressive competitor in the UK after having recently moved its CT equipment from Denmark to the UK as a result of losing a contract to Schlumberger,¹⁹² ii) Schlumberger supplies competitive technology to the Parties' CT offering,¹⁹³ and iii) both Well Services Group and Expro are actively competing with the Parties in CT with Expro having developed a new CT technology 'performance centre' which offers a low cost alternative to the traditional CT systems.¹⁹⁴
135. The Parties also submitted that they are aware of competitors like Schlumberger, Halliburton and Well Services Group bidding for specific CT projects in the UK,¹⁹⁵ and that an Italian CT supplier (SMAPE) is actively exploring opportunities to enter the CT UK market.¹⁹⁶ In relation to Schlumberger, in particular, the Parties note that it is a strong competitor in the UK and recently announced plans to open a 'one-stop shop' performance centre in Aberdeen.¹⁹⁷

Third-party evidence

136. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties face limited constraints from alternative suppliers. Most customers and competitors named Halliburton and Schlumberger as alternative suppliers,¹⁹⁸ although not as close competitors to the Parties as the Parties are to each other, on the basis of the closeness score.¹⁹⁹ In addition to these two competitors, some third parties named Well

¹⁹¹ FMN, paragraphs 247-250, and the Parties' response to the Issues Letter, paragraphs 36-37.

¹⁹² FMN, paragraph 247, and the Parties' response to the Issues Letter, paragraph 36.

¹⁹³ FMN, paragraph 248, and the Parties' response to the Issues Letter, paragraph 37.

¹⁹⁴ FMN, paragraphs 249 and 250. The CMA notes that the new 'performance centre' would the supply of CT. Furthermore, third-party evidence indicates that '[><]'. The CMA also notes that [><] (Third Party response to the CMA's questionnaire and Note of a call with a Third Party).

¹⁹⁵ Parties' response to the Issues Letter, paragraph 36.

¹⁹⁶ Parties' response to the Issues Letter, paragraph 36.

¹⁹⁷ Parties' response to the Issues Letter, paragraph 37.

¹⁹⁸ The CMA cannot exclude that third-party references to Schlumberger may be a reflection of Schlumberger's stronger presence in CT in the non-UK part of the North Sea; All the competitors mentioned Halliburton as a competitor to both Parties and almost all the competitors mentioned Schlumberger. Most customers stated that Halliburton was a competitor to both Parties, while most customers mentioned Schlumberger.

¹⁹⁹ Third Party responses to the CMA's questionnaire; Third Party responses to the CMA's questionnaire.

Services Group as a competitor to the Parties, albeit not as close as they are to each other.²⁰⁰

137. A limited number of third parties, however, provided evidence that BH competes more closely with alternative suppliers than Altus for some specialised services. One customer said that although its preferred and main CT contractor is Schlumberger and that both Schlumberger and BH are driving the provision of enhanced technology in CT, Altus was not competitive during the recent tendering process ([§]).²⁰¹ One competitor noted that only [§] and BH can provide concentric CT.²⁰²
138. Overall, the CMA considers that third-party evidence indicates that Halliburton is the Parties' main competitor in the supply of CT, with Schlumberger and Well Services Group being weaker competitive constraints.²⁰³
139. A material number of third parties, including both customers and competitors, that responded to the CMA's Merger investigation raised concerns in relation to the supply of CT.²⁰⁴ In particular, customers generally raised the concern that the Merger would reduce competition to only two key contractors with equipment and personnel in the UK, which would result in concentrations of services, capabilities and capacity to a few suppliers.²⁰⁵ Competitors raised the concern that the Parties are already dominant players in the UK market, and that the Merger would reduce options for operators and service companies and reduce capacity in the UK.²⁰⁶

²⁰⁰ Third Party responses to the CMA's questionnaire. In addition, some competitors named Expro as a competitor. However, the CMA understands that Expro can only provide alternative services rather than CT.

²⁰¹ Note of a call with a Third Party.

²⁰² Note of a call with a Third Party.

²⁰³ One third party noted the combined offer of e-line and tractors can sometimes be used for a subset of CT functions, for some functions (Note of a call with a Third Party). This is supported also by one BH internal document (FMN, Annex 013, page 1). The CMA believes that for the majority of CT functions this is not the case. Altus currently has a strong tractor service offering in the UK and the only other main competitor in the supply of tractor services is Welltec. Therefore, the CMA believes that, despite some level of demand-side substitution, the suppliers of e-line/tractors impose a limited out of market constraint on the Parties, as the Merged Entity will also have a significant market position in the combined offer of e-line/tractors.

²⁰⁴ Third Party responses to the CMA's questionnaire.

²⁰⁵ Third Party responses to the CMA's questionnaire. The CMA notes that one customer expressed the non-competition specific concern in relation to all overlap markets that the Merged Entity would no longer consider the needs of UK customers since the decision-making process would move to the USA where BH is headquartered Third Party response.

²⁰⁶ Third Party responses to the questionnaire.

Tender analysis

- *The Parties' tender data*

140. The CMA's tender analysis in Table 2 above shows that there were only two other suppliers that won or were named as main competitors in tenders lost by the Parties: Halliburton and Schlumberger. Based on number of opportunities, Halliburton has won the [X] tenders from Altus and was the [X] named main competitor for tenders that BH lost. Based on value, Halliburton won or was named as the main competitor for a larger proportion of tenders lost by Altus and BH than the other Party. Schlumberger has won [X] from Altus and was named the main competitor for [X] bids BH lost.²⁰⁷

- *Customer tender data*

141. The customer tender data (see paragraph 127) similarly indicates that Halliburton and Schlumberger each participated in almost all CT tenders in the data submitted by customers.²⁰⁸ The Parties additionally lost [X], in which they both participated, [X]. [X] also participated in three and one tender(s), respectively.

142. The customer tender data implies that the Parties frequently bid against one another and that they therefore compete closely in the provision of CT. While the customer tender dataset is small, it corroborates the position indicated, in relation to closeness of competition between the Parties, by the combined shares of supply and the Parties' tender data.

Internal documents

143. The CMA notes that the Parties' internal documents identify and discuss only a few competitors (other than the Parties) in relation to the supply of CT in the UK.²⁰⁹

144. These documents mainly refer to Halliburton [X] in CT in the UK, but both Parties' documents seem to suggest that there are [X]. For example, one BH document [X].²¹⁰ Another document, in relation to a [X].²¹¹ An Altus internal

²⁰⁷ For some BH's tenders, both Schlumberger and Halliburton were named as the main competitor.

²⁰⁸ Halliburton and Schlumberger participated in [X] tenders. Third Party responses to CMA's questionnaire.

²⁰⁹ FMN, Annex 018, page 11. BH's response to section 109 notice, Annex BH_0000443, slide 9 and Annex BH_0000220, slide 8; Altus' response to section 109 notice, Annex 002, page 39. (Third-party report, commissioned by Altus).

²¹⁰ BH's response to section 109 notice, Annex BH_0000443, slide 9.

²¹¹ BH's response to section 109 notice, Annex BH_0000220, slide 8.

document about a multiservice tender considers [REDACTED]. It also shows that [REDACTED].²¹²

145. BH's internal documents also indicate that it [REDACTED] Schlumberger's [REDACTED] and that Schlumberger [REDACTED] in the supply of CT [REDACTED] in the UK. For example, one BH internal document states for '[REDACTED]',²¹³ and another document [REDACTED].²¹⁴
146. While one BH document of [REDACTED] refers to a more competitive CT market in the UK by referring to Schlumberger, Well Services Group and [REDACTED] SMAPE, the CMA considers that this document discusses the competitive landscape for Europe as a whole rather than the UK.²¹⁵

Supply of CT as part of the supply of other well intervention services

147. Several customers that buy CT services specified that they prefer buying well intervention services together from the same supplier.²¹⁶ One customer told the CMA that it would prefer to reduce the number of contracts with different service providers and, where possible, procure multiple services under a single contract. Another customer stated that purchasing services in this way can result in cost efficiencies.²¹⁷ The Parties' tender data,²¹⁸ and the Parties' internal documents indicate that it may be important for some customers to have a single supplier for some or all well intervention services, and this may become more important in future.²¹⁹
148. On this basis, competitors (such as Well Services Group) and potential entrants, that are unable to provide an integrated offering of various well intervention services may be at a competitive disadvantage when competing for customers that prefer using a single provider for a range of well intervention services, including CT.
149. The evidence available to the CMA indicates that these considerations also apply in relation to the supply of Pumping.

²¹² Altus' response to section 109 notice, Annex 096, page 12.

²¹³ BH's response to section 109 notice, Annex BH_0000443, slide 9.

²¹⁴ BH's response to section 109 notice, Annex BH_0000220, slide 8.

²¹⁵ BH's response to section 109 notice, Annex BH_0000013, slide 9.

²¹⁶ Third Party responses to the CMA's questionnaire.

²¹⁷ Third Party responses [to the CMA's questionnaire.

²¹⁸ There are tenders where a customer chooses to award the provision of several services to one unique supplier.

²¹⁹ See for example BH's response to section 109 notice, Annex BH_0000171, which discusses how the offer of integrated well services [REDACTED], and Annex BH 00000236, slide 4, which assesses [REDACTED] of Halliburton, BH and Schlumberger.

Conclusion on competitive constraints

150. The CMA considers that the constraint alternative suppliers exert on the Parties is more limited than the constraint the Parties impose on each other and would not be sufficient to constrain the Merged Entity in the supply of CT in the UK. Halliburton is the main competitor to the Parties in the supply of CT in the UK, with Schlumberger and Well Services Group posing a much weaker constraint:

- (a) Halliburton was the third-largest supplier in the UK in 2021. Most customers and most competitors identified Halliburton as a competitor to both Parties but less close than the Parties are to each other. The tender data confirms that the Parties lost to Halliburton for a significant proportion of tenders based on both volume and value. The Parties' internal documents also indicate that Halliburton [X].
- (b) Schlumberger [X] UK revenue in this market in 2021 and its share of supply in previous years was modest. The tender data confirms that the Parties lost to Schlumberger less often than to each other. The Parties' internal documents also indicate that Schlumberger has [X] presence in the UK. However, the Parties submitted that Schlumberger [X] tenders and most customers identified Schlumberger as a competitor to both Parties but less close than the Parties are to each other. Therefore, the CMA considers that Schlumberger might be stronger in the future than current shares of supply indicate but a materially weaker competitive constraint than Halliburton.
- (c) Well Services Group was a small supplier in the UK with a [10-20]% share in 2021. Only a small number of third parties identified Well Services Group as a competitor to the Parties. The Parties have [X] to Well Services Group in the tender data available. Internal documents do not indicate that Well Services Group has a [X] market presence in the UK. Therefore, Well Services would pose a very weak constrain on the Merged Entity.

Conclusion on Theory of Harm 1

151. For the reasons set out above, the CMA believes that:

- (a) The Merged Entity would have a very high combined share of supply ([60-70]% in 2021) with a material increment ([20-30]%) arising from

the Merger. The Merged Entity would be the main supplier of CT, being twice the size of any other competitor.

- (b) Overall, the evidence all indicates that BH and Altus are the closest competitors in the supply of CT in the UK.
 - (c) The evidence is also consistent in showing that Halliburton is the only significant competitor to the Parties in the supply of CT in the UK, outside of the Parties themselves. Halliburton would not exert a sufficient competitive constraint on the Merged Entity, individually or in aggregate with other weaker suppliers, such as the Well Services Group and Schlumberger.
152. Accordingly, the CMA found that the Merger may raise significant competition concerns as a result of horizontal unilateral effects in relation to the supply of CT in the UK.

Horizontal unilateral effects in the supply of Pumping in the UK (Theory of Harm 2)

153. In assessing whether the Merger raises competition concerns in the supply of Pumping in the UK, the CMA considered:
- (a) shares of supply;
 - (b) closeness of competition; and
 - (c) competitive constraints imposed on the Parties by alternative suppliers.

Shares of supply

154. The Parties submitted that Pumping is more fragmented than the supply of CT in the UK because there are suppliers in the UK that offer Pumping without also offering CT.²²⁰
155. Table 3 shows the shares of the Parties and of their competitors in the supply of Pumping in the UK (by revenue) between 2019 and 2021, based on the CMA's estimates (see paragraph 85 for methodology). The market is concentrated, with Altus, with a share of [50-60]%, and BH, with a share of [20-30]%, being the two largest suppliers in 2021. In each of the three years

²²⁰ Parties' response to the Issues Letter, paragraph 44.

shown in the table, the Parties' combined share of supply was above 70% and the increment brought about by the Merger was higher than 20%. IKM [10-20]% and Halliburton [5-10]% were the next two largest suppliers in 2021.

Table 3: Shares of supply for Pumping in the UK, 2019-2021ⁱ

Supplier	2019		2020		2021	
	<i>Revenue, £m</i>	<i>Share, %</i>	<i>Revenue, £m</i>	<i>Share, %</i>	<i>Revenue, £m</i>	<i>Share, %</i>
Altus	[>]	[60-70]%	[>]	[50-60]%	[>]	[50-60]%
BH	[>]	[20-30]%	[>]	[20-30]%	[>]	[20-30]%
Combined	[>]	[80-90]%	[>]	[80-90]%	[>]	[70-80]%
Halliburton	[>]	[0-5]%	[>]	[0-5]%	[>]	[0-5]%
IKM	[>]	[0-5]%	[>]	[5-10]%	[>]	[5-10]%
Well Services Group	[>]	[5-10]%	[>]	[0-5]%	[>]	[10-20]%
Other	[>]	[0-5]%	[>]	[0-5]%	[>]	[0-5]%
Total	[>]	100%	[>]	100%	[>]	100%

Source: CMA analysis of the Parties' data and third-party responses

156. As noted above, shares of supply can be volatile in bidding markets. The CMA considers that, despite some volatility in Altus' share, that its share remains consistently very high (eg [50-60]% in 2021). BH is consistently the second largest supplier with shares ranging between [20-30]% in 2021 and [20-30]% in 2020. The CMA notes that, even though the Parties' combined share was at its lowest of the three-year period in 2021, it remains – at [70-80]% – nevertheless very high.
157. Whilst the CMA observes some variation in shares of supply year on year, it considers that the shares of supply are still a useful indicator of the competitive strengths of different suppliers in Pumping in the UK when considered together with other sources of evidence.
158. The CMA notes that the Parties' own estimates of their combined share of supply are lower. The CMA's estimates are, however, more reliable, as these are based on direct submissions from competitors.²²¹

²²¹ The Parties estimate a combined share of [50-60]% in 2021.

159. The CMA considers that the Parties' combined shares of supply in the UK are high enough to raise *prima facie* competition concerns.

Closeness of competition

The Parties' submissions

160. The Parties submitted that Pumping is a commoditised service with low barriers to entry since pumps are cheaper than CT units and widely available.²²² In terms of closeness of competition, the Parties consider that they are not close competitors regardless of the combined level of market shares and, whilst they have participated in [X] Pumping opportunities between 2018 and 2022 (year to date), they have [X] competed against each other.²²³

Third-party evidence

161. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties are close competitors in the supply of Pumping:

- (a) Almost all customers told the CMA that Altus and BH compete with each other.²²⁴ Altus is BH's closest competitor, while BH is Altus' second closest competitor (after Halliburton), on the basis of the closeness score.²²⁵
- (b) All competitors also told the CMA that Altus and BH compete with each other.²²⁶ Altus is BH's second closest competitor, while BH is Altus' closest competitor (after Halliburton) on the basis of the closeness score.
- (c) More than half of the competitors and customers submitted that the Parties are close competitors because they offer similar services, have

²²² FMN, paragraph 259, and the Parties' response to the Issues Letter, paragraph 44.

²²³ Parties' response to the Issues Letter, paragraph 45.

²²⁴ Third Party responses to the CMA's questionnaire.

²²⁵ The CMA asked third parties to assign a rating from 1 to 5 to each competitor of the Parties, where 1 indicates that the supplier is the closest competitor and 5 indicates that the supplier is the most remote.

²²⁶ Third Party responses to the CMA's questionnaire.

similar equipment and/or compete for the same tenders.²²⁷ One customer emphasised the Parties' focus on and presence in the UK.²²⁸

162. The CMA considers these third-party views indicate that the Parties are close competitors in the supply of Pumping.

Tender analysis

- *The Parties' tender data*

163. Altus submitted [X] tenders it participated in for Pumping over the period 2018 to 2022, of which it won [X] and lost [X]. BH submitted data for [X] tenders for the same period, of which it won [X] and lost [X].
164. The total value of all tenders for which the Parties bid was £[X] and £[X] for Altus and BH, respectively. Of that total value, Altus won £[X] and BH won £[X]. The Parties did not overlap in [X] Pumping tenders.
165. The CMA considers that as the total value of contracts won over the period 2019 to 2021 accounts for only a small proportion of the Parties' revenue over the same period ([X]% for BH and [X]% for Altus), it cannot be used to provide meaningful insights about competition. As already set out in paragraph 96, the CMA recognises that revenues and contract values may not align because some revenues may be generated from tenders [X]. However, the extent of the differences in revenue and tender values for Pumping indicates that competition does not primarily take place through formal tenders. This is consistent with the Parties' submission that a large majority of work [X].²²⁹ The CMA, therefore, placed greater weight on shares of supply, and third-party views in relation to the closeness of competition between the Parties than tender data.

- *Customer tender data*

166. The tender data submitted by the Parties showed that they bid for Pumping contracts with a large number of customers ([X] for Altus and [X] for BH). However, the CMA only received one tender from one customer in relation to Pumping (in which the Parties did not overlap and in respect of [X]). The

²²⁷ Third Party responses to the CMA's questionnaire.

²²⁸ Third Party response to the CMA's questionnaire.

²²⁹ Parties' response to the Issues Letter, Annex 1, page 37.

CMA therefore considers this customer tender data to be insufficient to draw conclusions from and is placing very limited weight on it.²³⁰

Internal documents

167. During its investigation, the CMA did not receive many internal documents in which the Parties assess their main competitors in the supply of Pumping in the UK.
168. The CMA notes that an internal document prepared by Altus in relation to a multiservice tender including the supply of Pumping in the UK shows that Altus viewed BH as [redacted] in the Pumping component of the tender.²³¹ However, Altus also [redacted]. An internal document of BH [redacted] in the North Sea discusses Altus amongst other suppliers.²³²

Conclusion on closeness of competition

169. The CMA considers that the evidence set out above indicates that the Parties compete very closely in the supply of Pumping in the UK and that the Merger will remove a strong constraint on each of the Parties. This is on the basis that:
- (a) The CMA's share of supply estimates show that the Parties were the two main suppliers of Pumping in the UK in the last three years, by a large distance. The Merged Entity would be the market leader with very high shares and a material increment arising from the Merger ([70-80]% and [20-30]% based on 2021 revenue).
 - (b) The majority of third parties view the Parties as one of the two closest competitors in the supply of Pumping.
 - (c) The Parties' tender data provides limited coverage of the market as it appears that the Parties rarely bid for standalone contracts and the majority of work is generated by [redacted] (and therefore the lack of overlap between the Parties in their tender data provides limited insight into competition between them).

²³⁰ Third Party response to the CMA's questionnaire.

²³¹ Altus' response to section 109 notice, Annex 096, page 12.

²³² BH's response to section 109 notice, Annex BH_0000013.

- (d) Although evidence from internal documents is limited, it is consistent with the other evidence in showing that the Parties are close competitors.

Competitive constraints

170. Unilateral effects are more likely where customers have little choice of alternative suppliers. The CMA considered whether there are alternative suppliers that would provide a competitive constraint on the Merged Entity, by assessing:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender analysis; and
- (d) evidence from internal documents.

The Parties' submissions

171. The Parties submitted that Pumping has a fragmented supplier base as there are suppliers in the UK North Sea that offer Pumping without also offering CT.²³³ According to the Parties' recent experience, IKM carried out Pumping for Perenco, Expro successfully replaced BH as a Pumping supplier for Apache, and WellGear is acquiring pumps to replace Altus as an outside Pumping supplier.²³⁴ The Parties also indicated that other suppliers active on the market include Expro, Hiretech, Intervention Rentals, HG Wells and PW Well Services.²³⁵

Third-party evidence

172. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties face limited constraints from alternative suppliers. Most customers and competitors named Halliburton and

²³³ FMN, paragraphs 147 and 259, and the Parties' response to the Issues Letter, paragraph 44.

²³⁴ Parties' response to the Issues Letter, paragraph 44.

²³⁵ Parties' response to the Issues Letter, paragraph 44. The CMA notes that some of these competitors were not mentioned by third parties as competing with the Parties (HG Wells and PW Well Services) in the supply of pumping in the UK and the CMA's share of supply estimates indicate that these competitors have, at most, a very small presence in the supply of Pumping in the UK.

Schlumberger as alternative suppliers.²³⁶ However, Schlumberger was not considered as close a competitor to the Parties as the Parties are to each other on the basis of the closeness score provided by customers and competitors. According to competitors, Halliburton is the closest competitor to BH (but not to Altus). On the other hand, customers ranked Halliburton as the closest competitor to Altus (but not to BH).²³⁷

173. In addition to Halliburton and Schlumberger, some third parties named Expro, Well Services Group, EnerMech and IKM as competitors to the Parties.²³⁸ All of these suppliers were ranked as more distant competitors to the Parties than the Parties are to each other on the basis of the closeness score provided. In addition, some customers also mentioned Hiretech, Intervention Rentals, Weatherford or Integrity ISS as competitors to at least one of the Parties.²³⁹ These suppliers were also ranked as relatively distant competitors to the Parties.
174. The existence of a large number of smaller competitors for the provision of Pumping is consistent with the Parties' submissions that Pumping has a fragmented supplier base and that there are suppliers in the UK North Sea that offer Pumping without also offering CT.²⁴⁰ However, the CMA notes that these suppliers are rarely mentioned by customers and have a small presence in the supply of Pumping in the UK.
175. The CMA considers that, although Schlumberger was mentioned as a competitor to the Parties, other sources of evidence suggest that it is not a material competitor. [§<].²⁴¹ In addition, some customers noted that Schlumberger has capability globally, but a more limited local presence compared to the Parties.²⁴²
176. Overall, the CMA considers that third-party evidence shows Halliburton is the Parties' main competitor in Pumping. IKM and other smaller suppliers are also competitors but exert a weaker constraint on the Parties.

²³⁶ All competitors mentioned Halliburton as a competitor to both Parties and almost all competitors mentioned Schlumberger. Most customers stated that Halliburton was a competitor to both Parties and most customers stated that Schlumberger was a competitor to Altus and BH, respectively.

²³⁷ Third Party responses to the CMA's questionnaire.

²³⁸ Third Party responses to the CMA's questionnaire.

²³⁹ Third Party responses to the CMA's questionnaire.

²⁴⁰ FMN, paragraphs 147 and 259, and the Parties' response to the Issues Letter, paragraph 44.

²⁴¹ Third Party response to the CMA's questionnaire.

²⁴² Third Party responses to the CMA's questionnaire.

177. A material number of third parties, including both customers and competitors that responded to the CMA's Merger investigation, raised concerns in relation to the supply of Pumping.²⁴³
178. In particular, one customer raised the concern that the Merger would result in the concentration of services, capabilities, and capacity, and another customer raised the concern that the Merger would leave only two suppliers in the market.²⁴⁴ Competitors raised the concern that the Merger would reduce options for suppliers to partner with and that the Parties are already dominant players in the UK market.²⁴⁵

Tender analysis

- *The Parties' tender data*

179. As mentioned above in paragraph 165, the Parties' tender data is only considered to represent a limited number of Pumping opportunities and has therefore been given only limited weight within the CMA's assessment. To the extent that some weight can be put on this data, it is consistent with the other evidence that Halliburton is the closest competitor to each of the Parties.
180. Table 4 summarises each of the Parties' lost bids. For Altus, it shows how often Altus lost to each of its competitors (including BH). For BH, it shows how often BH lost to Altus, or, where Altus did not win, how often BH identified each of its competitors as the main competitor. Halliburton won the largest amount (£[X]) out of £[X]) of Altus' lost tenders by value. Halliburton was also named as the main competitor for [X] out of [X] of BH's lost tenders (or for £[X] out of £[X] of BH's lost tenders by value).

Table 4: Winner/main competitor in tenders lost by each Party for Pumping

²⁴³ Third Party responses to the CMA's questionnaire.

²⁴⁴ Third Party responses to the CMA's questionnaire.

²⁴⁵ Third Party responses to the CMA's questionnaire.

contracts in the UK

<i>Tenders lost by</i>	<i>Winner (Altus or main competitor (BH))</i>	<i>No. tenders won / named main competitor</i>	<i>% of Parties' tenders won/ named competitor</i>	<i>Value of tenders</i>	<i>Percentage of value won/ named competitor</i>
Altus	Halliburton	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
([REDACTED] lost tenders)	Intervention Rentals	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	Unknown	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
BH	Halliburton	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
([REDACTED] lost tenders)	Unknown	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA's analysis of the Parties' tender data

- *Customer tender data*

181. The CMA notes that only one customer submitted data on a single tender that it procured and which was won by Halliburton.²⁴⁶ As there is only one customer tender, the CMA considers that it cannot draw any conclusions from it.

Internal documents

182. As mentioned above, the CMA has received limited internal documents from the Parties covering Pumping. The Altus internal document mentioned above, regarding a multiservice tender including the provision of Pumping in the UK, shows that Altus expected Halliburton and Schlumberger to be [REDACTED] and [REDACTED] Expro and Archer [REDACTED].²⁴⁷ One BH internal document on Pumping considers Schlumberger, Well Services Group and SMAPE [REDACTED].²⁴⁸ However, the CMA notes that this BH document includes the UK and Norway, [REDACTED], so does not provide material insight into competitive conditions in the UK market.

Conclusion on competitive constraints

183. The CMA considers that the constraint alternative suppliers exert on the Parties is more limited than the constraint the Parties impose on each other and would not be sufficient to constrain the Merged Entity in the supply of

²⁴⁶ Third Party response to the CMA's questionnaire.

²⁴⁷ Altus' response to section 109 notice, Annex 096, page 12.

²⁴⁸ BH's response to section 109 notice, Annex BH_0000013, slide 59.

Pumping in the UK. Halliburton is the main competitor to the Parties in the supply of Pumping in the UK, with IKM and other smaller suppliers posing a much weaker constraint:

- (a) Halliburton was the fourth largest supplier in the UK in 2021 (after the Parties and IKM) and significantly smaller than the Partiesⁱⁱ. Most customers and most competitors identified Halliburton as a competitor to both Parties. According to competitors, Halliburton is BH's closest competitor (but not Altus'). On the other hand, customers ranked Halliburton as Altus' closest competitor (but not BH's). Limited tender data confirms that the Parties lost to Halliburton (while the Parties [X] overlap and [X] lose [X] tenders to each other). However, the CMA believes that the Parties' tender data does not fully reflect competition in the market since it only provides limited coverage of the market.
- (b) IKM was the third largest supplier in the UK in 2021 but significantly smaller than the Partiesⁱⁱⁱ. Only some customers and some competitors identified IKM as a competitor to the Parties, albeit as a more distant competitor than the Parties to each other. Even though limited tender data suggests that the Parties [X] lose to IKM, the CMA believes that it does not reflect fully competition in the market.
- (c) While most customers and most competitors identified Schlumberger as a competitor to both Parties, [X].
- (d) Well Services Group and other suppliers have a small presence in the UK and are rarely mentioned by third parties as competitors to the Parties. Therefore, the CMA considers that they exert only a weak constraint on the Parties.

Conclusion on Theory of Harm 2

184. For the reasons set out above, the CMA believes that:

- (a) The Merged Entity would have a very high combined share of supply ([70-80]%) with a material increment ([20-30]%) arising from the Merger. The Merged Entity would be main supplier of Pumping, being seven times the size of any other competitor.
- (b) After the Merger, Halliburton will be the main competitor to the Parties in the supply of Pumping in the UK, with other suppliers posing a much

weaker constraint. Halliburton and other suppliers would not exert a sufficient competitive constraint on the Merged Entity, individually or in aggregate with other much smaller suppliers.

185. Accordingly, the CMA found that the Merger raises significant competition concerns as a result of horizontal unilateral effects in relation to the supply of Pumping in the UK.

Horizontal unilateral effects in the supply of Pipeline in the UK (Theory of Harm 3)

186. In assessing whether the Merger raises competition concerns in the supply of Pipeline in the UK, the CMA considered:

- (a) shares of supply;
- (b) closeness of competition; and
- (c) competitive constraints imposed on the Parties by alternative suppliers.

Shares of supply

187. The Parties submitted that at an EEA plus UK level, the Parties' combined share in Pipeline is relatively low ([20-30]%) with a moderate increment.²⁴⁹
188. Table 5 shows the shares of the Parties and of their competitors in Pipeline in the UK (by revenue) between 2019-2021, based on the CMA's estimates (see paragraph 85 for methodology). Most of the market is accounted for by five suppliers, including the Parties, with Altus, with a share of [10-20]%, and BH, with a share of [10-20]%, in 2021. There are three other players with significant presence in the market: IKM ([20-30]%), Halliburton ([10-20]%), and EnerMech ([10-20]%). In each of the three years shown in the table, the Parties' combined share of supply was under 40% and the increment resulting from the Merger would be under 20%.

²⁴⁹ FMN, paragraph 282. The Parties also submitted that pre-commissioning services are where most of Altus' revenue is generated, and that BH is not active in the supply of these services because [X]. FMN, paragraph 281–284.

Table 5: Shares of supply for Pipeline in the UK, 2019-2021

Supplier	2019		2020		2021	
	Revenue, £m	Share, %	Revenue, £m	Share, %	Revenue, £m	Share, %
Altus	[<]	[20-30]%	[<]	[20-30]%	[<]	[10-20]%
BH	[<]	[10-20]%	[<]	[10-20]%	[<]	[10-20]%
Combined	[<]	[30-40]%	[<]	[30-40]%	[<]	[30-40]%
Halliburton	[<]	[20-30]%	[<]	[10-20]%	[<]	[10-20]%
EnerMech	[<]	[10-20]%	[<]	[10-20]%	[<]	[10-20]%
IKM	[<]	[10-20]%	[<]	[20-30]%	[<]	[20-30]%
Others	[<]	[5-10]%	[<]	[5-10]%	[<]	[5-10]%
Total	[<]	100%	[<]	100%	[<]	100%

Source: CMA analysis of the Parties' data and third-party responses

189. As noted above, shares of supply can be volatile in bidding markets. The CMA has given consideration to this and observes (i) some changes in suppliers' shares in Pipeline year on year which appear to be limited to less than nine percentage points, and (ii) an increase in the size of the market in 2021 by 42% as compared to 2020. The Parties' combined share is relatively stable, ranging from [30-40]% to [30-40]%.
190. Whilst the CMA observes some variation in shares of supply year on year, it notes that the extent of this is such that the shares of supply are still a useful indicator of the competitive strengths of different suppliers in Pipeline in the UK when considered together with other evidence sources.
191. While the Merged Entity will be the main supplier of Pipeline after the Merger, the CMA considers, for the reasons set out below in paragraphs 195 to 235, that the shares of supply of the Parties overestimate the extent to which the Parties compete against each other. Furthermore, there are other significant suppliers present in the market, namely Halliburton, EnerMech and IKM.
192. The CMA notes that the Parties' own estimates of their combined share of supply is higher.²⁵⁰ The CMA's estimates are, however, more reliable, as these are based on direct submissions from competitors. The CMA notes that, according to the Parties' estimates, the Parties' combined share of supply for onshore Pipeline in 2020 and 2021 was [<] than the Parties' combined share in offshore. The CMA understands that a high share in onshore Pipeline is driven by Altus' [<] and overestimates the Parties' actual position onshore.²⁵¹

²⁵⁰ The Parties estimate a combined share of [40-50]% in 2021. The CMA notes that Parties have not included ILI in their estimates (only BH is active in ILI). Parties' response to question 1 of the CMA's RFI 9, dated 27 October 2022.

²⁵¹ Parties' response to the Issues Letter, paragraph 13.

193. If the supply of Pipeline and Process were considered as part of the same frame of reference, the CMA estimates that the combined share of the Parties would be below [20-30] in 2021, with an increment of [10-20]%.²⁵²

Closeness of competition

194. In assessing the closeness of competition between the Parties, the CMA considered:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender analysis (including the Parties' margin analysis); and
- (d) evidence from internal documents.

The Parties' submissions

195. The Parties submitted that their Pipeline offerings are differentiated.²⁵³

196. The Parties also submitted that, whereas Altus generates most of its revenue in pipeline pre-commissioning services, BH is not active in the supply of these services because [redacted].²⁵⁴ As an example, the Parties submitted a BH [redacted] that discusses BH's bid for a contract renewal for [redacted] tender ([redacted]).²⁵⁵ The discussion in this document indicates that [redacted].²⁵⁶ The Parties submitted that marine contractors account for the majority of Pipeline revenues in the UK (around [redacted]%).²⁵⁷

197. In terms of Pipeline work commissioned by pipeline owners, rather than marine operators,²⁵⁸ the Parties submitted that they are regionally differentiated. In particular, the Parties submitted that BH supplies [redacted] part of

²⁵² Competitors active in the supply of Pipeline and Process are largely the same. Some smaller competitors, such as Hydratight, are only active in Process.

²⁵³ FMN, paragraph 282. The Parties also submitted that pre-commissioning services are where most of Altus' revenue is generated, and that BH is not active in the supply of these services because [redacted]. FMN, paragraph 281–284

²⁵⁴ FMN, paragraphs 281 to 284.

²⁵⁵ Parties' response to the Issues Letter, Annex 2, page 11 and Exhibit 002 – [redacted], page 2.

²⁵⁶ Parties' response to the Issues Letter, Annex 2, page 11 and Exhibit 002 – [redacted], page 2.

²⁵⁷ Parties' response to the Issues Letter, paragraph 12.

²⁵⁸ Parties' response to the Issues Letter, paragraph 14.

the UK North Sea as well as [X], whereas Altus is only present in [X] UK North Sea and does not materially bid in [X] UK North Sea tenders.²⁵⁹

198. The Parties also submitted that Pipeline in the northern UK North Sea is mainly contracted by marine contractors and serviced from vessels, with the Parties facing competition from IKM, EnerMech, Halliburton and other smaller suppliers.²⁶⁰
199. The Parties also submitted that the bidding analysis of the Parties' tender data on PPS indicates that they are not close competitors.²⁶¹

*Third-party evidence*²⁶²

200. Responses from customers and competitors to the CMA's Merger investigation indicate, overall, that the Parties compete with each other closely in the supply of Pipeline (but is mixed, to some extent, on the precise nature of competitive interaction between the Parties):
- (a) The majority of customers told the CMA that Altus and BH compete with each other. Altus is BH's second closest competitor, and BH is Altus' fourth closest competitor on the basis of the closeness score.²⁶³
 - (b) Most competitors told the CMA that Altus and BH compete with each other. The CMA notes, however, on the basis of the closeness scores, that Altus is just the fourth closest competitor of BH and BH the fourth closest competitor of Altus.²⁶⁴
 - (c) Some competitors and some customers mentioned that the Parties are close competitors because they offer similar services and/or compete for the same tenders.²⁶⁵ One customer that [X] noted that the Parties are two out of three primary suppliers in the UK and if Altus was unable to fulfil its services in a Pipeline contract, then BH could be used.²⁶⁶

²⁵⁹ Parties' response to the Issues Letter, paragraph 14.

²⁶⁰ Parties' response to the Issues Letter, paragraph 14

²⁶¹ Parties' response to the Issues Letter, paragraph 12, and Annex 2

²⁶² Third-party evidence in relation to Pipeline also includes ILI. The CMA believes that this does not affect conclusions materially.

²⁶³ Third Party responses to the CMA's questionnaire. The CMA asked third parties to assign a rating from 1 to 5 to each competitor of the Parties, where 1 indicates that the supplier is the closest competitor and 5 indicates that the supplier is the most remote.

²⁶⁴ Third Party responses to the CMA's questionnaire.

²⁶⁵ Third Party responses to the CMA's questionnaire; Third Party responses to the CMA's questionnaire.

²⁶⁶ Note of call with a Third Party.

- (d) A few competitors, however, noted that, although Altus and BH compete for similar services, there was some differentiation between the Parties, eg Altus being smaller in scale.²⁶⁷

201. The CMA considers that third-party evidence on balance indicates that the Parties are close competitors, but not each other's closest competitors in the supply of Pipeline, and that there may be a degree of differentiation between the Parties.

Tender analysis

- *The Parties' tender data*

202. The Parties' tender data included tenders for Pipeline only, Process only and for PPS together. Analysis of the Pipeline only tender data is presented first, followed by the CMA's analysis of the Parties' PPS tender data. The CMA's analysis of Process only tenders is set out under its analysis of Theory of Harm 4.

203. Altus submitted data for [X] tenders it participated in for Pipeline over the period of 2018 to 2022, of which it won [X] and lost [X]. BH's tender data consisted of [X] tenders for the same period, of which it won [X] and lost [X].²⁶⁸

204. The CMA considers that the total value of won contracts in 2019-2021 accounts for a sufficiently large proportion of the Parties' revenues over the same period ([X]% for BH and [X]% for Altus) to provide meaningful insight into competition.

205. The CMA's analysis of the Parties' Pipeline tender data indicates the Parties do not overlap in a significant proportion of tenders by volume and the Parties do not lose to one another frequently, particularly compared to the frequency with which they lose to other suppliers. The Parties overlapped in [X] tenders for Pipeline, which is [X]% of both Altus' and BH's bids. Altus won [X]% of BH's lost bids and BH won [X]% of Altus' lost bids. This conclusion aligns with the Parties' analysis and conclusion.²⁶⁹

²⁶⁷ Third Party responses to the CMA's questionnaire.

²⁶⁸ BH's tender submission included [X] Pipeline tenders. However, the Parties' submitted reasons to discount [X] tenders which the CMA agrees with. Parties' response to the Issues Letter, Annex 2.

²⁶⁹ Parties' response to the Issues Letter, Annex 2, page 10.

206. When considering the analysis by value, the proportion of overlapping tenders and the proportion of tenders BH lost to Altus increase significantly. The Parties overlapped in [%] and [%] of Pipeline tenders by value, for BH and Altus, respectively. Altus won [%] of BH's lost value and BH won [%] of Altus' lost value. The reason for the large difference in the analysis by value and number of tenders is due to the [%] tender mentioned above.²⁷⁰
207. The CMA considers analysis relating to the value of tenders to be informative as value typically reflects the relative importance of tenders. The CMA notes that BH has [%] been successful in winning bids with marine contractors. Furthermore, in line with the Parties' submissions (see paragraph [X]), BH's internal documents about the feedback it received in the [%].²⁷¹ This suggests that that BH posed a weaker constraint on Altus in this tender than other bidders and that it might be a weak competitor for future Pipeline tenders with marine contractors. The Pipeline tender data, taking BH's position in this large tender into consideration, therefore does not suggest the Parties compete closely.
208. Outside of the marine contractors, such as [%], the CMA considers that geographic differentiation may to some extent explain the limited competition between BH and Altus suggested by the tender data. Due to Altus' lack of presence in the Southern UK North Sea, the Parties do not compete in this particular area, which accounts for [%] of BH's PPS revenue.²⁷²
209. The CMA also analysed contracts for PPS together. In the Parties' tender data, there are [%] PPS tenders than Pipeline and Process only tenders. Altus submitted data for [%] PPS tenders it participated in over the period 2018-2022, of which it won [%]. BH submitted data for [%] PPS tenders for the same period, of which it won [%] and lost [%]. Over the period 2019-2021, PPS tenders that both Parties bid for amounted to £[%] in total and accounted for [%] of total PPS market revenues presented in Table 5 and Table 6. Altus lost [%] PPS tenders and BH lost [%] tender to Altus.

²⁷⁰ This tender for [%] was worth £[%] million in 2018 according to Altus. The Parties' analysis additionally suggests this one tender explains the large difference in proportions. Parties' response to the Issues Letter, Annex 2, page 10.

²⁷¹ Parties' response to the Issues Letter, Annex 2, page 11 and Exhibit 002 – [%], page 2.

²⁷² Parties' response to the Issues Letter, paragraph 14.

- *Customer tender data*

210. The CMA only received one Pipeline tender from one customer, in which the Parties did not overlap ([X] won this tender against [X] and [X]).²⁷³ Two customers also submitted tenders for PPS, one which Altus won and the other BH won.²⁷⁴ The Parties did not overlap in either of these tenders.
211. Customer tender data is limited but provides some support to the view that the Parties do not compete as closely as they do with some other suppliers. The CMA has placed only very limited weight on this data.

Internal documents

212. Evidence from BH's internal documents indicates that it does not compete particularly closely with Altus. While BH [X], Altus is discussed alongside other competitors such as EnerMech, Halliburton and IKM, in particular for maintenance in an overall PPS discussion.²⁷⁵ These documents indicate that BH considers it competes with Altus (as well as with other competitors) mainly in relation to the supply of [X]. One of these documents notes that [X].²⁷⁶
213. In relation to the supply of Pipeline to marine contractors, while one of BH's internal documents [X],²⁷⁷ another BH document that summarised a [X] discussion about this contract, notes that BH's bid [X].²⁷⁸ Evidence from one of Altus' internal documents [X].²⁷⁹ The CMA considers that the fact that BH [X], is evidence that BH does not compete particularly closely with Altus.
214. Overall, the CMA considers that the Parties' internal documents indicate that they are not particularly close competitors.

Conclusion on closeness of competition

215. Overall, the Parties compete against each other in the supply of Pipeline in the UK, but they are not particularly close competitors:
- (a) Shares of supply show that the Parties were amongst the five main Pipeline suppliers in the UK in the last three years and that each of the

²⁷³ Third Party response to the CMA's questionnaire.

²⁷⁴ Third Party responses to the CMA's questionnaire.

²⁷⁵ BH's response to section 109 notice, Annex 0000389, slide 2 and 4, and Annex 0000050, slide 4.

²⁷⁶ BH's response to section 109 notice, Annex 0000050, slide 4.

²⁷⁷ BH's response to section 109 notice, Annex 0000265, slide 5.

²⁷⁸ Parties' response to the Issues Letter, Exhibit 002.

²⁷⁹ Altus' response to section 109 notice, Annex 001, slide 77.

Parties' share was not much higher than the share of their competitors over this period.

- (b) Customers and competitors view each of the Parties as close competitors but not each other's closest competitors, with a few of them noting some differentiation in the Parties' offerings.
- (c) Tender data shows that the Parties rarely compete against each other, with the exception of the [X] contract where BH competed against a number of other competitors in addition to Altus, and in respect of which BH appears to have presented a [X] weaker bid than Altus.
- (d) The Parties' internal documents show, overall, that the Parties are not particularly close competitors. While BH [X] Altus [X] Pipeline contracts in its internal documents, Altus is considered alongside other competitors.

Competitive constraints

216. Unilateral effects are more likely where customers have little choice of alternative suppliers. The CMA considered whether there are alternative suppliers that would provide a competitive constraint on the Merged Entity, by assessing:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender data; and
- (d) evidence from internal documents.

The Parties' submissions

217. The Parties submitted that Altus generates [X] in pre-commissioning work with marine operators, [X].²⁸⁰ The main competitor in this segment is IKM, which is the [X] and the [X] supplier to the other marine operators ([X]).²⁸¹ The Parties also submitted [X] uses Halliburton (jointly with IKM) for Pipeline in the UK,²⁸² and EnerMech also competes with Altus for pre-commissioning

²⁸⁰ FMN, paragraph 283, and the Parties' response to the Issues Letter, paragraph 12.

²⁸¹ FMN, paragraph 283, and the Parties' response to the Issues Letter, paragraph 12.

²⁸² Parties' response to the Issues Letter, paragraph 12, and Annex 1, slide 12.

work in the UK.²⁸³ Further, the Parties consider that Halliburton is a [X] UK competitor providing a full range of Pipeline work [X].²⁸⁴

218. In relation to Pipeline contracted by pipeline owners, as described in paragraph 197 above, the Parties submitted that both Halliburton and EnerMech serve customers from the southern UK North Sea, as well as being actively involved in bids in the northern UK North Sea together with IKM.²⁸⁵ Finally, the Parties' consider that Hydratight is also a viable competitor.²⁸⁶

Third-party evidence

219. Customers and competitors that responded to the CMA's Merger investigation indicated that the Parties' main constraints from alternative suppliers come from EnerMech, Halliburton and IKM.
220. Most customers and most competitors named EnerMech and/or Halliburton as alternative suppliers of Pipeline.²⁸⁷ In addition to these two, some customers and competitors named IKM and Well Services Group as competitors to both Parties.²⁸⁸
221. Competitors tended to rank Halliburton and EnerMech as closer competitors to the Parties than the Parties are to each other.²⁸⁹ This is also corroborated by customers, who generally ranked Halliburton and EnerMech as similarly close or closer competitors to the Parties.²⁹⁰ IKM is also a relatively close competitor to both Parties, and – at least according to competitors – closer than the Parties are to each other.
222. The CMA considers that third-party evidence indicates that Halliburton, EnerMech and IKM are the Parties' main competitors in the supply of Pipeline.
223. In relation to third-party views on the effects of the Merger on competition, the CMA notes that some customers were concerned about the Merger in relation

²⁸³ FMN, paragraph 283.

²⁸⁴ Parties' response to the Issues Letter, paragraphs 18-21, and Annex 1, slide 10.

²⁸⁵ Parties' response to the Issues Letter, Annex 1, slide 13.

²⁸⁶ Parties' response to the Issues Letter, paragraph 11.

²⁸⁷ All competitors mentioned Halliburton as a competitor to both Parties and almost all competitors mentioned EnerMech. The majority of customers stated that Halliburton was a competitor to Altus and BH, respectively. The majority of customers stated that EnerMech was a competitor to Altus and BH, respectively. Third Party responses to the CMA's questionnaire.

²⁸⁸ Some other alternative suppliers, such as Expro, Hydratight, Schlumberger and Weatherford, were also named once.

²⁸⁹ Third Party responses to the CMA's questionnaire.

²⁹⁰ Third Party responses to the CMA's questionnaire.

to the supply of Pipeline.²⁹¹ In particular, one customer told the CMA that the Merger would leave only two key contractors with equipment and personnel in the UK, and another customer mentioned that it would potentially remove an option if decision was to look for another service supplier.²⁹²

224. The CMA has taken into account the concerns expressed by competitors, in the context of the overall evidence, including evidence that indicates that there is a sufficient number of alternative competitors in the supply of Pipeline.²⁹³

Tender analysis

225. The CMA's analysis of tenders the Parties lost shows that the Parties often lose to IKM, Halliburton and other competitors.
226. IKM won the largest number of Altus' lost tenders ([X]%) and was the main competitor for [X]% of BH's lost tenders. The corresponding figures by value are [X]% and [X]%.
227. Halliburton also won a significant proportion of both Parties' lost tenders ([X]% of BH's and [X]% of Altus' by volume). The Parties lost to IKM and Halliburton more often than to each other, except when looking at BH's lost tenders by value.
228. The tender data also suggests that there are other suppliers (EnerMech and Flexlife) that win, or are named the main competitor, for a smaller proportion of the Parties' lost tenders. Out of tenders lost by Altus, Flexlife won [X] tenders than BH on the basis of volume and value, EnerMech won [X] of tenders lost by BH as Altus, but they were of [X] value.
229. The CMA considers that the significant proportion of tenders lost to IKM and Halliburton is consistent with the Parties' submissions that Halliburton is active in all Pipeline segments and IKM serves marine contractors and carries out owner work in the North / Central UK North Sea (see paragraphs 217 and 218).

²⁹¹ Third Party responses to the CMA's questionnaire.

²⁹² Third Party responses to the CMA's questionnaire.

²⁹³ The CMA does not normally consider specific pieces of evidence in isolation when considering the question of an SLC. See [Merger Assessment Guidelines](#), paragraph 2.23.

230. As noted above, the unknown observations (that only refer to third parties) place limitations on the CMA's ability to assess the relative degree to which each other competitor places constraint on the Parties.

Internal documents

231. Evidence from BH's internal documents indicates that it competes closely with Halliburton, EnerMech and IKM, as [REDACTED].²⁹⁴ In these documents, BH highlights that: [REDACTED]²⁹⁵; [REDACTED]²⁹⁶; [REDACTED].²⁹⁷
232. Another BH internal document considers the relative competitive strengths of its top competitors and their similarities with BH. For example, BH stated in this document that [REDACTED].²⁹⁸
233. The CMA notes that these internal documents are consistent with the tender data, [REDACTED]. In relation to IKM, however, the tender data suggests that IKM is a strong competitor in the supply of Pipeline, not only in relation to pre-commissioning, but also maintenance.

Conclusion on competitive constraints

234. Overall, the Merged Entity will face competition in the supply of Pipeline from IKM, EnerMech and Halliburton in the UK:
- (a) IKM was the largest supplier in the UK in 2021. Some customers and some competitors identified IKM as a competitor to both Parties. Competitors and customers generally view IKM as a close competitor to the Parties and – according to competitors – closer than the Parties are to each other. The tender data confirms that the Parties frequently lost to IKM, both in relation to pre-commissioning and maintenance. It is also frequently mentioned in BH's internal documents as an important supplier of Pipeline in the UK.
 - (b) Halliburton was the third largest supplier in the UK in 2021. According to customers and competitors, Halliburton is a closer competitor to the Parties than the Parties are to each other. The tender data confirms that the Parties frequently lost to Halliburton. It is also mentioned in

²⁹⁴ BH's response to section 109 notice, Annex BH_0000265, slide 5 and Annex BH_0000389, slide 5.

²⁹⁵ BH's response to section 109 notice, Annex BH_0000389, slide 5.

²⁹⁶ BH's response to section 109 notice, Annex BH_0000389, slide 5.

²⁹⁷ BH's response to section 109 notice, Annex BH_0000389, slide 5.

²⁹⁸ BH's response to section 109 notice, Annex BH_0000370.

BH's internal documents as being a particularly close competitor to BH in the supply of Pipeline in the UK.

- (c) EnerMech was the fifth largest supplier in the UK in 2021. According to customers and competitors, EnerMech is as close or a closer competitor to the Parties than the Parties are to each other. The Parties lost less frequently to EnerMech than to IKM and Halliburton, but EnerMech is monitored as a relevant Pipeline supplier in BH's internal documents.

Conclusion on Theory of Harm 3

235. For the reasons set out above, the CMA believes that:

- (a) The Parties are two of five sizeable suppliers of Pipeline in the UK. Competitors and customers view the Parties as competing with each other, but most recognise that there are also other closer competitors to the Parties than the Parties are to each other. Based on the tender data, the Parties generally do not compete against each other to any great extent (with the exception of one large contract that the evidence suggests BH was not a strong contender for).
- (b) IKM, Halliburton and EnerMech are strong alternative Pipeline suppliers, with material shares of supply in the UK. The third-party evidence, tender data and internal documents are also consistent in showing that these competitors impose a strong competitive constraint on the Parties.

236. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of Pipeline in the UK.

Horizontal unilateral effects in the supply of Process (Theory of Harm 4)

237. In assessing whether the Merger raises competition concerns in the supply of Process in the UK, the CMA considered:

- (a) shares of supply;
- (b) closeness of competition; and
- (c) competitive constraints imposed on the Parties by alternative suppliers.

Shares of supply

238. The Parties submitted that at an EEA plus UK level, the Parties' combined share in Process is moderate ([10-20]%).²⁹⁹
239. Table 6 shows the shares of the Parties and of their competitors in Process in the UK (by revenue) between 2019 and 2021, based on the CMA's estimates (see paragraph 85 for methodology). In 2021, Altus, with a share of [10-20]%, and BH, with a share of [10-20]%, were two of the six largest suppliers. Over the three years shown in the table, the Parties' combined share of supply was at most 30% and the increment brought about by the Merger would be around 10%. Halliburton ([10-20])%^{iv}, IKM ([10-20])% and EnerMech ([20-30])% and Hydratight ([10-20])% were the other four largest suppliers in 2021.

Table 6: Shares of supply for Process, UK, 2019-2021

Supplier	2019		2020		2021	
	Revenue, £m	Share, %	Revenue, £m	Share, %	Revenue, £m	Share, %
Altus	[<]	[10-20]%	[<]	[5-10]%	[<]	[10-20]%
BH	[<]	[10-20]%	[<]	[10-20]%	[<]	[10-20]%
Combined	[<]	[30-40]%	[<]	[20-30]%	[<]	[20-30]%
Halliburton	[<]	[10-20]%	[<]	[10-20]%	[<]	[20-30]%
EnerMech	[<]	[10-20]%	[<]	[20-30]%	[<]	[20-30]%
IKM	[<]	[10-20]%	[<]	[10-20]%	[<]	[10-20]%
Hydratight	[<]	[10-20]%	[<]	[10-20]%	[<]	[10-20]%
Costain	[<]	[0-5]%	[<]	[5-10]%	[<]	[0-5]%
Schlumberger	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
Others	[<]	[0-5]%	[<]	[0-5]%	[<]	[0-5]%
Total	[<]	100%	[<]	100%	[<]	100%

Source: CMA analysis of the Parties' data and third-party responses

240. As already noted above, shares of supply can be volatile in bidding markets. There have been some changes in suppliers' shares in Process year-on-year but these have been limited – less than seven percentage points. The CMA also notes the fall in the size of the market between 2019 and 2020 by 35%, followed by a 26% increase in 2021. The Parties' combined share is relatively stable, ranging from [20-30]% to [30-40]%.
241. Whilst the CMA observes some variation in shares of supply year on year, it notes that the shares of supply are still a useful indicator of the competitive strengths of different suppliers in Process in the UK when considered together with other sources of evidence.

²⁹⁹ FMN, paragraph 277.

242. While the Merged Entity will be the largest supplier of Process after the Merger, the CMA considers that there are other significant suppliers present in the market, such as Halliburton, EnerMech, and IKM.
243. The CMA notes that the Parties' own estimates of their combined share of supply is higher.³⁰⁰ The CMA's estimates are, however, more reliable, as these are based on direct submissions from competitors.
244. If the supply of Pipeline and Process were considered as part of the same frame of reference, the CMA estimates that the combined share of the Parties would be below [20-30]% in 2021, with an increment of [10-20]%.³⁰¹

Closeness of competition

245. In assessing the closeness of competition between the Parties, the CMA considered:
- (a) the Parties' submissions;
 - (b) third-party views on closeness of competition;
 - (c) tender analysis; and
 - (d) evidence from internal documents.

The Parties' submissions

246. The Parties submitted that Altus' and BH's service portfolios within Process are differentiated.³⁰² In particular, they submitted that Altus [X] pre-commissioning process services in the UK ([X]), whereas BH's offering [X] pre-commissioning and maintenance services.³⁰³

Third-party evidence

247. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties are close competitors in the provision of

³⁰⁰ The Parties estimate a combined share of [20-30]% in 2021.

³⁰¹ Competitors active in the supply of Pipeline and Process are largely the same. Some competitors, such as Hydratight, are only active in Process.

³⁰² FMN, paragraphs 285 and 286, and the Parties' response to the Issues Letter, paragraph 15.

³⁰³ FMN, paragraphs 285 and 286, and the Parties' response to the Issues Letter, paragraph 15.

Process (but is mixed, to some extent, on the precise nature of competitive interaction between the Parties):

- (a) Most customers told the CMA that Altus and BH compete with each other. Altus is BH's second closest competitor, and BH is Altus' fourth closest competitor on the basis of the closeness score.³⁰⁴
- (b) Most competitors told the CMA that Altus and BH compete with each other. The CMA, however, notes that Altus is BH's fourth closest competitor, and BH is Altus' third closest competitor on the basis of the closeness score.³⁰⁵
- (c) One competitor and some customers mentioned that the Parties are close competitors because they offer similar services and/or compete for the same tenders.³⁰⁶ A different customer awarded a contract to Altus, but noted that BH could be used if Altus was unable to fulfil its services.³⁰⁷
- (d) One customer told the CMA that it did not believe that the Parties compete for the same tenders.³⁰⁸ One competitor noted that the Parties are differentiated, with BH having large contracts in addition to supplying offshore, whilst Altus is a small player supplying offshore services.³⁰⁹ Another competitor referred to Altus as a marginal player.³¹⁰

248. The CMA considers that third-party evidence indicates, overall, that the Parties are competitors, but not each other's closest competitors in the supply of Process, and that there may be a degree of differentiation between them.

³⁰⁴ The CMA asked third parties to assign a rating from 1 to 5 to each competitor of the Parties, where 1 indicates that the supplier is the closest competitor and 5 indicates that the supplier is the most remote. Third Party responses to the CMA's questionnaire.

³⁰⁵ Third Party responses to the CMA's questionnaire.

³⁰⁶ Third Party response to the CMA's questionnaire.

³⁰⁷ Note of call with a Third Party.

³⁰⁸ Third Party response to the CMA's questionnaire.

³⁰⁹ Third Party response to the CMA's questionnaire.

³¹⁰ Third Party response to the CMA's questionnaire.

Tender analysis

- *The Parties' tender data*

249. Altus submitted data for [X] Process only tenders it participated in over the period 2018-2022, of which it won [X] and lost [X]. BH's tender data consisted of [X] tenders for the same period, of which it won [X] and lost [X].³¹¹
250. For BH, the total value of Process only tenders it submitted was £[X], of which it won £[X]. In addition, between 2019 and 2021, the total value of contracts BH won and BH's Process revenue during the same period are of similar magnitude (the value of won contracts amounts to [X]% of revenues generated over this period).³¹² The CMA therefore considers that this data provides meaningful insight into competition (see paragraph 96).
251. For Altus, the total value of Process only tenders it submitted was £[X], of which it won £[X]. In addition, the total value of contracts Altus won between 2019 and 2021 accounts only for [X]% of its Process revenue during the same period. The CMA accepts the Parties' submission that all known opportunities had been provided and that the discrepancy is due to Altus' revenue between 2019 and 2021 being generated from [X] tenders Altus won before 2018.³¹³ However, the CMA believes that pre-2018 contracts are still relevant for the purposes of competitive assessment, since revenues derived from them are reflected in the shares of supply and may be indicative of Altus' future ability to compete. As a result, the CMA places some (limited) weight on Altus' tender data and analysis of overlapping tenders between the Parties.³¹⁴
252. The CMA's analysis indicates the Parties do not overlap in a significant proportion of tenders and do not lose to one another. The Parties overlapped in [X] tender, which was only [X]% and [X]% of total tender value for Altus

³¹¹ BH's tender submission included [X] Process tenders. However, the Parties' submitted reasons to discount [X] tenders which the CMA agrees with. Parties' response to the Issues Letter, Annex 2.

³¹² The CMA recognises that revenues may not necessarily align with the value of tenders won by the Parties because some revenues may be generated from tenders won in previous periods not covered by the tender data and some contracts in the tender data will generate revenue in future years.

³¹³ Parties' response to the Issues Letter, Annex 2, page 12-13.

³¹⁴ Parties' response to the Issues Letter, Annex 2, page 12.

and BH, respectively.³¹⁵ Altus won [X] of BH's lost tenders and Altus lost [X] bid to BH, equivalent to [X]% of the total value of its lost tenders.

253. As described in paragraph 209 above, the PPS tender data analysis leads to the same conclusion that the Parties infrequently bid and lose against one another. Out of [X] Altus and [X] BH tenders, the Parties overlapped only in [X], which BH lost to Altus.

- *Customer tender data*

254. The CMA received no tenders for Process only and the PPS tenders are discussed above (paragraph 209 above).

Internal documents

255. The CMA has received very limited internal documents specific to Process in the UK. Some of BH's documents that [X] of their competitors in [X], which includes both Pipeline and Process described in paragraph 212, may also reflect the [X] of these competitors in Process. These documents show that Altus is amongst the few competitors [X].³¹⁶

256. The limited number of internal documents on Process mean that this source of evidence does not provide particularly strong evidence in relation to whether the Parties are close competitors. The CMA has therefore considered third-party views and share of supply estimates, which contain more comprehensive data, in order to form conclusions in its assessment of whether the Parties are close competitors.

Conclusion on closeness of competition

257. Overall, the Parties compete against each other in the supply of Process in the UK, but are not particularly close competitors:

- (a) Shares of supply show that the Parties were amongst the six main Process suppliers in the UK in the last three years and that each of the Parties' shares were not much higher than the share of their competitors over this period.

³¹⁵ Based on the number of bids these percentages are larger for Altus – [X]% and is still [X]% for BH.

³¹⁶ For example, BH's response to section 109 notice, Annex BH_0000389, slide 5.

- (b) Customers and competitors view each of the Parties as competitors but not each other's closest competitors, with a few noting some differences in the Parties' offerings.
- (c) The CMA notes the lack of overlap between the Parties in their tender data (but notes that tenders since 2018 may only provide limited insight into competition).
- (d) Evidence from the Parties' internal documents is limited but BH assesses Altus as one of the competitors in [REDACTED] documents covering [REDACTED] (including Pipeline).

Competitive constraints

258. Unilateral effects are more likely where customers have little choice of alternative suppliers. The CMA considered whether there are alternative suppliers that would provide a competitive constraint on the Merged Entity, by assessing:

- (a) the Parties' submissions;
- (b) third-party views on closeness of competition;
- (c) tender analysis; and
- (d) evidence from internal documents.

The Parties' submissions

259. The Parties submitted that there will still be four globally active and regional players in Process as well as several other strong suppliers post-Merger.³¹⁷ The Parties' largest competitors in this segment are EnerMech and IKM, followed by Halliburton as well as Hydratight and Well Services Group.³¹⁸

260. Additionally, the Parties expect Halliburton, EnerMech and IKM to compete for pending and upcoming tenders for Process maintenance Master Services Agreements advertised by customers such as [REDACTED].³¹⁹

³¹⁷ FMN, paragraph 286.

³¹⁸ FMN, paragraph 286 and the Parties' response to the Issues Letter, paragraph 16.

³¹⁹ Parties' response to the Issues Letter, paragraph 17.

Third-party evidence

261. The responses of customers and competitors to the CMA's Merger investigation indicate that the Parties' main constraints from alternative suppliers come from EnerMech, Halliburton, and IKM.
262. Several customers and most competitors named EnerMech, Halliburton, or IKM as alternative suppliers to the Parties.³²⁰ In addition to these three, some competitors named Well Services Group and Hydratight as competitors to both Parties.³²¹
263. There is evidence that Halliburton, IKM and EnerMech are considered particularly close competitors to the Parties on the basis of the closeness score. In terms of competitors to BH, competitors tended to rank Halliburton, IKM and EnerMech as closer competitors to BH than Altus. In terms of competitors to Altus, Halliburton and IKM were ranked as slightly closer competitors than BH.³²² This is corroborated by customers, who generally ranked IKM, Halliburton and EnerMech as the Parties' close competitors.³²³
264. The CMA considers these third-party views indicate that Halliburton, IKM and EnerMech are the Parties' main competitors in the supply of Process.
265. In relation to third-party views on the effects of the Merger on competition, the CMA notes that some customers and one competitor were concerned about the Merger in relation to Process.³²⁴ In particular, one customer told the CMA that the Merger would leave only two key contractors with equipment and personnel in the UK, and another customer mentioned that it would potentially remove an option if it decided to look for another service supplier.³²⁵ One competitor indicated that both Parties have a major market share in the UK market.³²⁶
266. The CMA has taken into account the concerns expressed by competitors, in the context of the overall evidence, including evidence that indicates that

³²⁰ Most competitors mentioned Halliburton and EnerMech as competitors to both Parties and most competitors mentioned IKM. A large number of customers stated that Halliburton was a competitor to Altus and BH, respectively. Most customers stated that EnerMech was a competitor to Altus and BH, respectively. Several customers stated that IKM was a competitor to both Parties. Third Party responses to the CMA's questionnaire.

³²¹ Some other alternative suppliers, such as Schlumberger, Wood, and Worley, were also named once.

³²² Third Party responses to the CMA's questionnaire.

³²³ Third Party responses to the CMA's questionnaire.

³²⁴ Third Party responses to the CMA's questionnaire.

³²⁵ Third Party responses to the CMA's questionnaire.

³²⁶ Third Party response to the CMA's questionnaire.

there is a sufficient number of alternative competitors in the supply of Process.³²⁷

Tender analysis

267. The CMA's analysis of tenders BH lost shows that BH often loses to IKM, Halliburton, Hydratight and other competitors. Halliburton, IKM or Hydratight were named as the main competitor for [%] of BH's lost tenders ([%] by value). There are additionally six other suppliers which were named as main competitors for tenders that BH lost. For [%] of tenders BH lost, the main competitor was [%]. As noted above, the unknown observations (that only refer to third parties) place limitations on the CMA's ability to assess the relative degree to which each competitor constrains the Parties.
268. As noted above, Altus' tender data contains few observations: Altus lost only [%] tenders to Halliburton, EnerMech, IKM, and BH between 2018 and 2022. Due to a small number of tenders, the CMA places very limited weight on Altus' data in its assessment of competitive constraints imposed by other competitors.

Internal documents

269. The CMA has received very limited internal documents specific to Process in the UK. Some of BH's documents that assess the [%] of their competitors in [%], which includes both Pipeline and Process, described in paragraph 212 may also reflect the [%] of these competitors in Process. These documents suggest that, in addition to Altus, BH competes with EnerMech, IKM and Halliburton in relation to Process.³²⁸
270. The limited number of internal documents on Process mean that this source of evidence does not provide strong evidence on the relative strength of the different Process suppliers. The CMA has therefore considered third-party views and share of supply estimates, which contain more comprehensive data, in order to help it form conclusions in its assessment of whether the Parties are close competitors.

³²⁷ The CMA does not normally consider specific pieces of evidence in isolation when considering the question of an SLC. See [Merger Assessment Guidelines](#), paragraph 2.23.

³²⁸ For example, BH's response to section 109 notice, Annex BH_0000389.

Conclusion on competitive constraints

271. Overall, the Merged Entity will face competition in the supply of Process from IKM, EnerMech and Halliburton and, to a less extent, from Hydratight and other smaller suppliers in the UK.

- (a) IKM was the fourth largest supplier in the UK in 2021. Several customers and most competitors identified IKM as a competitor to both Parties. Competitors and customers generally view IKM as a close competitor to the Parties and – according to competitors – closer than the Parties are to each other. The tender data confirms that BH frequently lost to IKM. It is also mentioned in the limited set of the Parties' internal documents.
- (b) Halliburton was the second largest supplier in the UK in 2021. Several customers and most competitors identified Halliburton as an alternative supplier to both Parties. It is regarded as a similarly close or closer competitor than the Parties are to each other. The tender data confirms that BH frequently loses to Halliburton. It is also mentioned in the limited set of the Parties' internal documents.
- (c) EnerMech was the largest supplier in the UK in 2021. Competitors and customers generally view EnerMech as a close competitor to the Parties and – according to customers – closer than the Parties are to each other. The Parties lost less frequently to EnerMech than to IKM and Halliburton, but it is mentioned in the limited set of the Parties' internal documents.
- (d) Hydratight is the fifth largest supplier in the UK in 2021. Few competitors identified Hydratight as a competitor to both Parties and these competitors found it to be not as a close competitor to the Parties as the Parties are to each other. The tender data confirms that BH sometimes lost to Hydratight. The Parties do not seem to monitor Hydratight in internal documents.
- (e) Costain, Schlumberger and other suppliers have a small presence in the UK and are rarely mentioned by third parties as competitors to the Parties. Therefore, the CMA considers that they exert only a weak constraint on the Parties.

Conclusion on Theory of Harm 4

272. For the reasons set out above, the CMA believes that:

- (a) The Parties are two of six sizeable suppliers of Process in the UK. Competitors and customers view the Parties as competing with each other but most also recognise that there are also other closer competitors to the Parties. Based on the tender data, the Parties generally do not compete against each other to any great extent (although Altus bid for a limited number of tenders).
- (b) IKM, EnerMech and Halliburton and to a lesser extent Hydratight, are strong alternative Process suppliers, with material shares of supply in the UK. The third-party evidence, tender data and internal documents are also consistent in showing that these competitors impose a strong competitive constraint on the Parties.

273. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to the supply of Process in the UK.

Vertical effects in relation to the supply of CHWL tools to CHWL rivals

274. Vertical effects may arise when a merger involves firms active at different levels in the same industry (ie an upstream firm and a downstream firm).³²⁹ Vertical mergers do not involve a direct loss of competition between the merger firms; the concern is that they may result in the foreclosure of current or potential rivals.³³⁰ Input foreclosure can arise where a merger involves one party that supplies an input to rivals of the other party.³³¹ The concern with an input foreclosure theory of harm is that the Merged Entity may use its control of an important input to harm its downstream rivals' competitiveness, for example by refusing to supply the input (total foreclosure) or by increasing or worsening the quality of the input supplied (partial foreclosure).³³²

³²⁹ [Merger Assessment Guidelines](#), paragraph 7.1(a).

³³⁰ [Merger Assessment Guidelines](#), paragraph 7.2.

³³¹ [Merger Assessment Guidelines](#), paragraph 7.8(a).

³³² [Merger Assessment Guidelines](#), paragraph 7.9.

275. BH supplies CHWL tools to Altus (which accounted for between [X]% and [X]% of BH's CHWL tools UK sales between 2018 to 2021) and to other CHWL suppliers ([X]).³³³
276. Altus and BH overlap in the supply of e-line, however BH is a smaller supplier. BH does not supply slickline. Altus, on the other hand, is a key competitor in the supply of slickline. Expro, Halliburton, and Archer are also competitors of Altus in the UK in both e-line and slickline and of BH in e-line.³³⁴
277. The CMA has assessed two vertical theories of harm in relation to the Merger:
- (a) Input foreclosure, whereby the Merged Entity would restrict the provision of CHWL tools (sold by BH's subsidiary Sondex) to rivals active in the supply of e-line; and
 - (b) Input foreclosure, whereby the Merged Entity would restrict the provision of CHWL tools to rivals active in the supply of slickline.
278. The CMA has considered whether the following three cumulative conditions were satisfied:
- (a) Whether the Merged Entity would have the ability to foreclose rivals in e-line and slickline;
 - (b) Whether the Merged Entity would have the incentive to do so; and
 - (c) Whether the effect of the Merged Entity foreclosing rivals in e-line and slickline would substantially lessen overall competition.³³⁵
279. The CMA started by considering the Parties' submission on this vertical theory of harm and then assessed whether all the conditions set out above were met.

Parties' submissions

280. The Parties submitted that the Merged Entity has neither the ability nor the incentive to engage in an input foreclosure strategy targeted at competitors downstream, in particular:

³³³ Parties' response to the CMA's RFI 6, dated 28 September 2022.

³³⁴ Parties' response to the CMA's RFI 4, dated 16 September 2022, Annex 003.

³³⁵ [Merger Assessment Guidelines](#), paragraph 7.10.

- (a) A downstream foreclosure strategy would be contrary to Sondex's global business model, which is to supply CHWL tools to its downstream wireline competitors such as Schlumberger and Halliburton, while refusing to supply would put this global business model at risk.³³⁶ In a narrower North Sea or UK market, the substantial majority of BH's Sondex tools sales are to Altus.³³⁷
 - (b) Customers source CHWL tools globally and there are a number of alternative suppliers with a competitive offering, including Hunter Probe, Gowell, Spartak, COSL and Antares, as well as Halliburton and Schlumberger;³³⁸ BH would also be unable to target customers in the North Sea or the UK as it cannot track where its Sondex tools are used.³³⁹
 - (c) Sondex tools are not critical to downstream competition since the upstream sale of Sondex tools to [X] and [X] in the UK accounts for only [X]% and [X]%, respectively, of those suppliers' estimated downstream sales.³⁴⁰ In relation to DECT tools (a mechanical cutter which some evidence suggests can only be supplied by Sondex), the Parties submitted that [X], and [X] accounts for approximately [X]% of [X] estimated downstream CHWL sales.³⁴¹
 - (d) Sondex tools are not specified by customers for UK CHWL tenders.³⁴²
281. In relation to the supply to BH's slickline competitors, in particular, the Parties submitted that an increase in its market position in the supply of slickline services does not materially change its incentives to foreclose, since Sondex does not offer dedicated slickline tools, its main UK/North Sea customer (Altus) uses dual-use tools predominantly (approximately [X]% of the time) for e-line, and the Parties expect that the same applies to other customers as well.³⁴³

³³⁶ Parties' response to the Issues Letter, Annex 3, paragraph 3.

³³⁷ FMN, paragraph 409, and the Parties' response to Issues Letter, Annex 3, paragraph 3.

³³⁸ Parties' response to the Issues Letter, Annex 3, paragraph 17.

³³⁹ FMN, paragraph 409, and the Parties' response to Issues Letter, Annex 3, paragraph 16.

³⁴⁰ The Parties submitted that Sondex tools sales amount to only £[X] to [X] and £[X] to [X] annually on average between 2019 and 2021, Parties' response to Issues Letter, Annex 3, paragraph 38.

³⁴¹ Parties' response to Issues Letter, Annex 3, paragraph 40.

³⁴² Parties' response to Issues Letter, Annex 3, paragraph 43.

³⁴³ The Parties' response to Issues Letter, Annex 3, Annex A, paragraph 11.

CMA's assessment

Ability

282. In assessing the Merged Entity's ability to foreclose CHWL rivals, the CMA has considered the effectiveness of the foreclosure mechanisms available to it and the extent of its market power in the upstream supply of CHWL tools.³⁴⁴ The CMA's assessment of the ability to foreclose is applicable to input foreclosure in both e-line and slickline, as the relevant features in the supply of CHWL tools apply to both e-line and slickline.
283. The CMA considers that the Merged Entity may, in principle, have some mechanisms at its disposal that could worsen at least some of its rivals' access to CHWL tools. These might include a complete refusal to supply (total foreclosure), delaying delivery times, supplying a more limited range or deteriorating after-sales services (partial foreclosure).
284. These mechanisms could, in principle, affect some of the Merged Entity's CHWL rivals' ability to compete in the UK.
285. To assess whether the Merged Entity would have the ability to foreclose its rivals in the supply of CHWL, the CMA considered:
- (a) Whether the Merged Entity would have market power in the supply of CHWL tools; and
 - (b) Whether the Merged entity's CHWL tools would be an important input for its rivals to compete in the supply of CHWL.
286. In relation to the first consideration, the starting point for the CMA's assessment is the competitive conditions of the upstream market (CHWL tools).³⁴⁵ This is because, if the Merged Entity's rivals in the supply of CHWL can easily switch away from the upstream supplier of CHWL tools (ie BH), they will be less likely to suffer harm.
287. Shares of supply estimates show BH has a share of around [20-30]% in the supply of CHWL tools globally.³⁴⁶ Whilst UK level estimates are not

³⁴⁴ [Merger Assessment Guidelines](#), paragraphs 7.13 and 7.14.

³⁴⁵ [Merger Assessment Guidelines](#), paragraph 7.14(a).

³⁴⁶ FMN, paragraph 408.

available,³⁴⁷ BH has a share of around [70-80]% in the supply of CHWL tools in Europe.³⁴⁸ Although BH has a high share of supply in relation to the supply of CHWL tools in Europe, supply to Altus accounts for the majority of its sales in the UK ([>]%) and the two largest downstream competitors to the Parties in CHWL are largely vertically integrated. This means that the BH's share in the supply of CHWL tools in Europe is likely to overstate the significance of its market position in the supply of tools to its main rivals in the supply of CHWL.

288. The evidence available to the CMA also shows that, at least for a large part of the CHWL tools used in the UK, there are a range of alternative suppliers that the Merged Entity's CHWL competitors could switch to. In particular:

- (a) CHWL competitors (ie purchasers of CHWL tools) indicated that they could source CHWL tools both within and outside the UK. One competitor considered that tools are purchased on a global basis, and another competitor told the CMA it did not track UK tools purchases separately from its global purchases.³⁴⁹ Transport costs are relatively low, accounting for [<] % of the value of BH's CHWL tools sales. This relatively low proportion indicates that competing suppliers of CHWL tools could supply these tools globally, whilst maintaining competitiveness against locally based suppliers. Suppliers, such as Hunter Probe, Gowell, Spartek and COSL, appear to be alternative suppliers of CHWL tools at a global level, as reflected in the Parties' global shares of supply estimates.³⁵⁰
- (b) CHWL competitors told the CMA that there is a wide range of alternatives to BH's CHWL tools. Most mentioned Gowell and Spartek as the main alternatives to the Parties.³⁵¹ In particular, one competitor provided evidence that it sources from a wide range of CHWL tools suppliers, with a material proportion of its CHWL tools coming from suppliers other than BH, even though its stock of BH's CHWL tools is

³⁴⁷ While the foreclosure strategies considered in this decision could, in principle, be targeted at customers in the UK to some extent, the evidence available to the CMA indicates that BH would have limited ability to do this. BH is required to have knowledge of which country its tools are being deployed in, at least initially. However, customers are able to move tools across geographic areas once they have been purchased. Note of a call with a Third Party; A competitor indicated that it purchases tools from BH on a global basis, without specific reference to the UK. Third Party responses to the CMA's questionnaire.

³⁴⁸ FMN, paragraph 188.

³⁴⁹ Third Party response to the CMA's questionnaire, and note of a call with a Third Party.

³⁵⁰ FMN, paragraph 187. The Parties' shares of supply estimates for CHWL tools estimate the following shares: BH ([20-30]%), Hunter Probe ([20-30]%), Gowell ([10-20]%), Spartek ([10-20]%), Halliburton ([5-10]%), COSL ([5-10]%), Antares ([0-5]%), Schlumberger ([0-5]%), and Others ([10-20]%).

³⁵¹ Third Party responses to the CMA's questionnaire.

high.³⁵² Another competitor told the CMA that Spartek and OpenField provide production logging tooling, making them close competitors to BH in the supply of CHWL tools, whilst GoWell is considered a competing CHWL tools supplier that offers various tooling apart from production logging.³⁵³ A different competitor told the CMA that GoWell and Read offer equivalent tools to BH.³⁵⁴

289. In relation to the second consideration, the evidence available to the CMA on the importance of BH's tools in the provision of CHWL in the UK is mixed.³⁵⁵ One of the Merged Entity's CHWL competitors considered CHWL tools to be an essential input in the supply of CHWL.³⁵⁶ This competitor told the CMA that an interruption in the supply of BH's CHWL tools (total foreclosure) or slower deliveries and increased pricing (partial foreclosure) would harm its business, as would BH supplying inferior tools.³⁵⁷ Another competitor, however, considered BH's CHWL tools to be important only for a subset of CHWL services.³⁵⁸ A further competitor submitted that there are no BH tools that are key to the provision of CHWL services in the UK.³⁵⁹ In addition, the CMA has also received some evidence that CHWL competitors that can self-supply could start to produce equivalent CHWL tools in-house if needed for tenders in the UK.³⁶⁰
290. The CMA has considered whether some CHWL services customers write technical specifications or whether switching costs act in such a way that only BH's tools would meet these requirements in the UK.³⁶¹ The CMA has seen limited evidence of this happening in practice. The CMA has also, more broadly, seen little evidence to suggest that a rival's inability to bid with a BH CHWL tool would impact the outcome of competitive tenders for CHWL.
291. The input cost of CHWL tools is very low relative to overall e-line and slickline sales. For e-line, CHWL tools are worth [X]% of e-line sales, and [X]% of slickline sales. As CHWL tools account for a small proportion of the total cost of providing CWHL, the Merged Entity would not have the ability to materially

³⁵² Third Party response to the CMA's questionnaire. [X] sourced [X] of CHWL tools from BH's competitors.

³⁵³ Third Party response to the CMA's questionnaire.

³⁵⁴ Third Party response to the CMA's questionnaire.

³⁵⁵ Third Party responses to the CMA's questionnaire.

³⁵⁶ Third Party response to the CMA's questionnaire.

³⁵⁷ Third Party response to the CMA's questionnaire.

³⁵⁸ Third Party response to the CMA's questionnaire.

³⁵⁹ Third Party response to the CMA's questionnaire.

³⁶⁰ Third Party responses to the CMA's questionnaire and the Parties' response to the Issues Letter, paragraph 28.

³⁶¹ Note of a call with a Third Party.

affect the competitiveness of its rivals by raising CHWL tool's prices after the Merger because this strategy would have a small effect on its rivals' costs.

292. The CMA notes that one CHWL competitor indicated that this could underestimate the impact that a foreclosure strategy could have on a downstream supplier's costs, as it would be costly for a CHWL supplier with an existing stock of CHWL tools from mainly one supplier (in terms of training, repair, replacement, and interchangeability) to start to use a different supplier in addition to the current supplier.³⁶²
293. Overall, the CMA considers that the Merged Entity is unlikely to have the ability to foreclose downstream rivals in the supply of CHWL in the UK. The Merged Entity does not appear to hold upstream market power, in relation to the supply of CHWL tools to UK customers, because downstream rivals could switch to several alternative suppliers (with some rivals self-supplying these tools at present). At most, the Merged Entity only has the ability to foreclose a small number of its CHWL rivals in relation to a limited number of tools.
294. The CMA has not, however, been able to exclude that the Merged Entity would have the ability to foreclose certain CHWL competitors that do not currently self-supply CHWL tools and have a large stock of BH's CHWL tools (so would face material switching costs). The CMA has, for completeness, therefore also assessed whether the foreclosure of these rivals would substantially lessen overall competition in the supply of e-line and slickline.

Effect

295. The CMA has considered whether any harm to the CHWL competitors that might potentially be foreclosed would result in substantial harm to overall competition in the supply of e-line and slickline.³⁶³
296. If sufficient credible rivals to the downstream party would be unaffected, for example because they are vertically integrated, then foreclosure of some marginal competitors may not harm competition.³⁶⁴
297. Halliburton and Schlumberger are vertically integrated and purchase select tools from BH on a very limited scale (BH made CHWL tool sales of less than £[X] for [X] in the UK and less than \$[X] for [X] in the North Sea as a

³⁶² Note of a call with a Third Party; Third Party response to the CMA's questionnaire.

³⁶³ [Merger Assessment Guidelines](#), paragraph 7.20.

³⁶⁴ [Merger Assessment Guidelines](#), paragraph 7.22

whole in 2021).³⁶⁵ Both are close competitors to the Parties in the UK for e-line and slickline and would have the option to switch to self-supply as well as to source from the UK and global markets.³⁶⁶ The CMA therefore considers that both rivals would continue to offer a strong constraint on the Merged Entity after the Merger.

298. In the supply of e-line, Halliburton ([10-20]%) and Schlumberger ([50-60]%) are the competitors with the largest shares of supply in 2021. The remaining e-line suppliers account for [10-20]% of e-line supply. Of these, Expro is the only other material competitor with a share of [5-10]%.
299. In the supply of slickline, Halliburton and Schlumberger account for [20-30]% and [0-5]% of slickline, respectively. The remaining suppliers of slickline account for [20-30]% of slickline supply. Of these, Expro is the only other material competitor, with a share of [20-30]%. The CMA believes that shares of supply understate the competitive constraint imposed by Schlumberger, as third parties identify it as one of the strongest suppliers of slickline.³⁶⁷
300. Overall, third-party CHWL competitors expressed limited concerns regarding problems competitors expected to arise as a result of the Merger.³⁶⁸ (The CMA notes that this is broadly consistent with the position that the substantial majority of BH's Sondex tools sales in the UK at present are to Altus.) One competitor stated it had concerns about how some parts of support services may be affected after the Merger, but overall expressed a neutral view towards the Merger with respect to the possibility of foreclosure in the UK.³⁶⁹ A large number of customers of CHWL were also contacted by the CMA, none of which indicated concerns in relation to problems in the supply of CHWL tools.³⁷⁰
301. Even if the Merged Entity might have the ability to foreclose certain CHWL rivals, the CMA considers the any foreclosure strategy would not have a substantial effect on competition for the supply of e-line and slickline, in particular because:

³⁶⁵ FMN, paragraph 124 and annex 048.

³⁶⁶ Third Party responses to the CMA's questionnaire.

³⁶⁷ Third Party responses to the CMA's questionnaire.

³⁶⁸ Third Party responses to the CMA's questionnaire.

³⁶⁹ Note of a call with a Third Party; Third Party response to the CMA's questionnaire.

³⁷⁰ Third Party responses to the CMA's questionnaire.

- (a) two of the Merged Entity's main competitors in e-line and slickline are vertically integrated and would be largely unaffected by any foreclosure in their ability to compete, and
 - (b) the impact of any attempted foreclosure on non-vertically integrated suppliers would be limited.
302. As the CMA considers that any potential foreclosure strategy would not have an effect on competition, it was not necessary for the CMA to assess whether the Merged Entity would have the incentive to adopt a foreclosure strategy in relation to CHWL tools.

Conclusion on vertical effects in the supply of e-line and slickline

303. For the reasons set out above, the CMA considers that the Merged Entity is unlikely to have the ability to foreclose downstream rivals in the supply of CHWL in the UK. Even if the Merged Entity had the ability to foreclose certain customers (ie those that do not currently self-supply CHWL tools and have a large stock of BH's CHWL tools), any harm to these suppliers would likely be limited and short-lived. In light of the limited market position of those suppliers, the CMA does not believe that the foreclosure of these rivals would substantially lessen overall competition in the downstream market.
304. Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of vertical effects in relation to the supply of e-line, as well as in relation to the supply of slickline in the UK.

BARRIERS TO ENTRY AND EXPANSION

305. If effective entry and/or expansion occurs as a result of a merger and any consequent adverse effect, the effect of the merger on competition may be mitigated. In these situations, the CMA might conclude that no SLC arises as a result of the merger. In order to prevent an SLC, entry or expansion would need to be timely, likely and sufficient.³⁷¹

Parties' submissions

306. The Parties submitted that:

³⁷¹ [Merger Assessment Guidelines](#), paragraph 8.28.

- (a) For the supply of CT in the UK, barriers to entry are low whether for companies active in other regions or for newly created companies because: (i) there are no barriers with respect to moving equipment, including after Brexit; (ii) logistics costs are not higher than other countries; and (iii) equipment is readily available because the majority of the North Sea CT equipment is manufactured by NOV-Hydrarig. This is illustrated by Italian CT provider SMAPE, which is understood to be actively exploring opportunities to enter the UK CT market.³⁷² The Parties also submitted that the UK has low regulatory requirements compared to Norway.³⁷³
- (b) For the supply of Pumping in the UK, Pumping is a commoditised service and barriers to entry are low because pumps are cheaper than CT units and are broadly available.³⁷⁴ The Parties also submitted that the average job size is small allowing a wide range of suppliers to participate, and that recent Party experience included WellGear purchasing pumps to replace Altus as an outside pumping supplier.³⁷⁵

CMA's assessment

307. All well intervention services competitors in the UK that responded to the CMA's Merger investigation described high barriers to entry and expansion in the supply of well intervention services, including:

- (a) significant investment in equipment and facilities, with estimates ranging from £2.5 million to £20 million;³⁷⁶
- (b) material entry would take several years;³⁷⁷
- (c) the requirement of a UK presence;³⁷⁸
- (d) the need for experience and a proven track record;³⁷⁹ and
- (e) BH's and Altus' relationships with UK customers.³⁸⁰

³⁷² Parties' response to Issues Letter, paragraphs 36 and 39.

³⁷³ Parties' response to Issues Letter, paragraph 39.

³⁷⁴ Parties' response to Issues Letter, paragraph 44.

³⁷⁵ FMN, paragraph 418, and the Parties response to the Issues Letter, paragraph 44.

³⁷⁶ Third Party responses to the questionnaire.

³⁷⁷ Third Party responses to the CMA's questionnaire.

³⁷⁸ Third Party responses to the CMA's questionnaire.

³⁷⁹ Third Party responses to the CMA's questionnaire.

³⁸⁰ Third Party response to the CMA's questionnaire.

308. Some evidence received from competitors indicates that the barriers to entry and expansion in CT are particularly high, for example:
- (a) One competitor noted that investment of around £16 million to £20 million was required to enter and entry in the supply of CT in the UK would take three years.³⁸¹
 - (b) One competitor submitted that CT was the most expensive well intervention service to start.³⁸²
 - (c) One competitor submitted that due to the large size of CT equipment, there are significant transport costs and as a result this competitor does not move its CT units from one region to another other than for long-term contracts.³⁸³
309. In relation to Pumping, one competitor noted that Pumping requires high capital investment.³⁸⁴ On the other hand, another competitor said that Pumping was fairly easy to start and required lower investment than other well intervention services.³⁸⁵ Although third-party evidence suggested that there are lower barriers to entry in Pumping than CT, the CMA considers that barriers to entry and expansion in Pumping are nevertheless high given the third-party evidence relating to well intervention services as a whole. The CMA does not agree with the Parties that the average job size for Pumping being relatively small indicates that there are low barriers to entry. In addition, the CMA considers the fact that there are very few standalone contracts for Pumping and that work is pulled-through other related services strengthens the barriers to entry.
310. The Parties' submissions did not address many of the barriers to entry and expansion identified by third parties which affect the timeliness, likelihood or sufficiency of any potential entry in CT (including by SMAPE) and Pumping.
311. In particular, evidence from tender data and third-party evidence indicates that customers often enter into long framework agreements in CT and Pumping and do not often switch, particularly to a supplier without an established presence in the market.

³⁸¹ Third Party response to the CMA's questionnaire.

³⁸² Third Party response to the CMA's questionnaire.

³⁸³ Note of call with a Third Party.

³⁸⁴ Third Party response to CMA's questionnaire.

³⁸⁵ Third Party response to the CMA's questionnaire.

312. Several customers of CT and Pumping indicated that they had not switched suppliers or contracted with multiple providers in the last five years or did not usually contract with multiple suppliers in relation to well intervention services.³⁸⁶
313. The customer tender data also shows that there is limited switching. Six of the bids specified the previous supplier of the services of the tender and of those, the incumbent supplier won five out of six bids (in two cases only one of the two incumbents won).
314. The CMA believes that the limited customer switching in CT and Pumping, and long term framework contracts are material barriers to entry and expansion.
315. The CMA also notes that, even if a potential new entrant may overcome the barriers to entry related, for instance, to the financial cost of entry or to the transport cost of moving equipment from outside the UK, it could face difficulties in winning business, given the lack of experience and reputation in the UK, which is worsened by the limited customer switching described above. This means that, even if a supplier of CT or Pumping were to enter in the UK, it would not gain a material market position in these markets in a timely manner.
316. The CMA also notes that some customers expressed a preference for an integrated offer of a range of well intervention services (see paragraph 147 above). This would make entry more difficult and increase the entry costs for a new supplier, as it would have to invest in the supply of different integrated well intervention services to serve these customers.
317. Finally, the CMA considers that evidence that a supplier outside of the UK is looking at opportunities to enter CT in the UK does not indicate that there are low barriers to entry in the supply of CT. Notably, the CMA has not seen evidence of material entry and expansion in the supply of CT and Pumping in recent years.
318. For the reasons set out above, the CMA believes that entry or expansion would not be sufficient, timely and likely such that it would prevent a realistic

³⁸⁶ Third Party responses to the CMA's questionnaire.

prospect of an SLC as a result of the Merger in the supply of CT and/or Pumping.

319. In relation to Pipeline and Process, the CMA has not concluded on barriers to entry or expansion as the Merger does not give rise to competition concerns in these services.

COUNTERVAILING BUYER POWER

Parties' submissions

320. The Parties also submitted that they would face considerable countervailing buyer power in well intervention services and PPS,³⁸⁷ mainly because demand is concentrated to a small group of operators who have service agreements with all major well intervention suppliers.³⁸⁸
321. The Parties further submitted that they would face considerable countervailing buyer power in CT mainly because CT represents a small portion of overall sales, as many of their customers purchase services other than CT (especially in BH's case).³⁸⁹ Thus, any attempt of the Merged Entity to increase prices of CT would jeopardise relationships with customers and incur losses in revenues of the other services, as customers would switch away purchases of other services to other suppliers.³⁹⁰

CMA's assessment

322. The CMA considers that most forms of buyer power that do not result in new entry – for example, buyer power based on a customer's size, sophistication, or ability to switch easily – are unlikely to prevent an SLC that would otherwise arise from the elimination of competition between the merger firms. This is because a customer's buyer power depends on the availability of good alternatives they can switch to, which in the context of an SLC will have been reduced.³⁹¹
323. Similarly, the CMA does not consider that buyer power in this case exists because customers purchase other services from CT and Pumping suppliers,

³⁸⁷ FMN, paragraph 425.

³⁸⁸ FMN, paragraph 426 and paragraph 429.

³⁸⁹ Parties' response to Issues Letter, paragraph 38.

³⁹⁰ Parties' response to Issues Letter, paragraph 38.

³⁹¹ [Merger Assessment Guidelines](#), paragraph 4.20.

as buyer power would require the sufficient availability of alternatives. As discussed above, the Merger would leave only one strong competitor to the Parties (Halliburton) in both CT and Pumping.³⁹²

324. The two main ways customers may be able to trigger new entry are sponsored entry and self-supply. The Parties did not submit that buyer power would result in new entry. Moreover, the evidence available to the CMA does not suggest potential sponsored entry poses a competitive constraint or that self-supply is a credible option. No customers of CT mentioned self-supply or sponsoring entry as an option. In addition, a large number of customers that responded to the CMA either did not consider that they could easily switch between suppliers or remain with the same suppliers for several years before they retender.³⁹³
325. The CMA, therefore, believes that countervailing buyer power will be unlikely to mitigate any SLC arising from the Merger in the supply of CT and/or Pumping in the UK.

CONCLUSION ON SUBSTANTIAL LESSENING OF COMPETITION

326. Based on the evidence set out above, the CMA believes that it is or may be the case that the Merger may be expected to result in an SLC as a result of horizontal unilateral effects in relation to (i) the supply of CT in the UK, and (ii) the supply of Pumping in the UK.

³⁹² In addition, the CMA notes that not all of Altus' and BH's customers seem to have a material expenditure with the Parties in services other than CT and Pumping.

³⁹³ Third Party responses to the CMA's questionnaire.

DECISION

327. Consequently, the CMA believes that it is or may be the case that (i) arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and (ii) the creation of that situation may be expected to result in an SLC within a market or markets in the United Kingdom.
328. The CMA therefore believes that it is under a duty to refer under section 33(1) of the Act. However, the duty to refer is not exercised whilst the CMA is considering whether to accept undertakings under section 73 of the Act instead of making such a reference.³⁹⁴ The Parties have until 29 November 2022³⁹⁵ to offer an undertaking to the CMA.³⁹⁶ The CMA will refer the Merger for a phase 2 investigation³⁹⁷ if the Parties do not offer an undertaking by this date; if the Parties indicate before this date that they do not wish to offer an undertaking; or if the CMA decides³⁹⁸ by 6 December 2022 that there are no reasonable grounds for believing that it might accept the undertaking offered by the Parties, or a modified version of it.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
22 November 2022

ENDNOTES

ⁱ As part of the purchaser approval process, the CMA found that the share of supply attributed to IKM in the supply of Pumping in the SLC Decision was overstated, as a result of erroneous information provided by third parties. In relation to Table 3, reference to IKM's share of supply in Pumping in the UK for 2020 as [5-10]% is incorrect and should be replaced with [0-5]%, and reference to IKM's share of supply in Pumping in the UK for 2021 as [5-10]% is incorrect and should be replaced with [0-5]%. Also in relation to Table 3: reference to Halliburton's share of supply in Pumping in the UK for 2020 as [0-5]% is incorrect and should be replaced with [5-10]%; reference to Halliburton's share of supply in Pumping in the UK for 2021 as [0-5]% is incorrect and should be replaced with [5-10]%; reference to Well Services Group's share of supply in Pumping in the UK for 2019 as [5-10]% is incorrect and should be replaced with [0-5]%; and reference to Well Services Group's share of supply in Pumping in the UK for 2021 as [10-20]% is incorrect and should be replaced with [0-5]%.

³⁹⁴ Section 33(3)(b) of the Act.

³⁹⁵ Section 73A(1) of the Act.

³⁹⁶ Section 73(2) of the Act.

³⁹⁷ Sections 33(1) and 34ZA(2) of the Act.

³⁹⁸ Section 73A(2) of the Act.

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- ⁱⁱ In relation to paragraph 183, reference to Halliburton as the ‘fourth largest supplier in the UK in 2021’ in Pumping is incorrect and should be replaced with ‘third largest supplier in the UK in 2021’.
- ⁱⁱⁱ In relation to paragraph 183, reference to IKM as the ‘third largest supplier in the UK in 2021’ is incorrect and should be replaced with ‘one of a number of smaller players in Pumping’.
- ^{iv} In relation to paragraph 243, reference to Halliburton’s share of supply of [10-20]% is incorrect and should be replaced with [20-30]%.