# [European Medicines Agency closed 9-11 May 2018]

07/05/2018

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# [Mergers: Commission clears ArcelorMittal’s acquisition of Ilva, subject to conditions]

Today’s decision follows an [in-depth review] of the deal, which combines **ArcelorMittal**, the largest producer of flat carbon steel in Europe and worldwide, with the main assets of **Ilva**, notably its steel plant in Taranto, Italy, which is Europe’s largest single-site integrated flat carbon steel plant. Both companies are significant producers in Europe of hot rolled, cold rolled and galvanised flat carbon steel. ArcelorMittal has a wide production network across the European Economic Area (EEA) and Ilva has major production assets in Italy.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *“Steel is a critical input for many European industries and products we use every day. Today’s decision makes sure that ArcelorMittal’s acquisition of Ilva, creating the by far largest steelmaker in Europe, does not result in higher steel prices – at the expense of European industries, the millions of people they employ and consumers. ArcelorMittal has proposed to sell a number of steel plants throughout Europe to one or more buyers, who will run them to compete with ArcelorMittal on a lasting basis. This will preserve effective competition on European steel markets. It goes hand in hand with decisive EU action to protect our steel industry from unfair trade distortions from third countries.*

*Finally, the sale of Ilva’s assets to ArcelorMittal should also help accelerate the urgent environmental clean-up works in the Taranto Region.* This e*ssential de-pollution work should continue without delay to protect the health of Taranto’s inhabitants.*”

The European steel sector is a key industry across the EU – it employs about 360 000 people in more than 500 production sites in 23 Member States. Today's Commission decision is subject to the divestiture of several steel plants, which preserves effective competition on European steel markets and the competitiveness of this industry, also after this transaction. The steel plants would be sold to one or more buyers that will continue to operate and develop them, so they can compete effectively with ArcelorMittal. In other words, the sale of a plant to a buyer, which would plan to subsequently close it down, would not be an acceptable solution (see "Next Steps" below).

**The Commission's competition concerns**

As part of its in-depth investigation, the Commission reviewed more than 800,000 internal documents and took into account feedback from over 200 customers. These customers, including many small and medium sized companies, are active in a wide range of sectors, such as construction, car manufacturing, household appliances, tubes etc. They rely on competitive steel prices to compete with imported products in the EEA as well as on global markets.

As a result of its investigation, the Commission had concerns that the transaction as notified would have resulted in higher prices for European customers for **hot rolled**, **cold rolled** and **galvanised flat carbon steel.**

The merged entity would have controlled over 40% of the production capacity for hot rolled, cold rolled and galvanised flat carbon steel products in the EEA, with a far larger market share than any of its **competitors in Europe**, such as Tata Steel, Thyssenkrupp and Voestalpine. The Commission investigation showed that the merged entity's competitors in Europe would have neither the incentive nor the ability to replace the reduced competition as a result of the transaction.

The Commission also carefully investigated the role of **imports from third countries** of hot rolled, cold rolled and galvanised flat carbon steel. It found that imports can play a significant role on the European market for hot rolled steel, particularly in those geographic areas and product grades where ArcelorMittal and Ilva compete. To a lesser extent, imports can also be relevant for the European markets for cold rolled and galvanised steel. However, imports are not a sufficiently strong and stable alternative to fully offset the likely negative effects on price due to the loss of competition between Ilva and ArcelorMittal.

Finally, the Commission also looked at certain other products, including metallic coated steel for packaging. However, the Commission concluded that there were no concerns relating to these products, in particular due to the limited presence of Ilva and the very strong role played by other competitors.

**The commitments**

It is the responsibility of the parties to address the Commission's competition concerns by proposing adequate remedies. To be effective, commitments have to address all of the Commission's concerns and be **viable long-term**.

ArcelorMittal proposed a set of commitments, which fully address the Commission's concerns on hot rolled, cold rolled and galvanised flat carbon steel. In particular, ArcelorMittal offered to divest an extensive package of production assets in Belgium (Liège), in the Czech Republic (Ostrava), in Luxembourg (Dudelange), in Italy (Piombino), in Romania (Galati) and in the Former Yugoslav Republic of Macedonia (Skopje). Furthermore, ArcelorMittal offered to divest a number of distribution assets in France and Italy.

- As regards **hot rolled steel**, the remedy package contains production capacity at the integrated steel plants in the Czech Republic (Ostrava) and in Romania (Galati), covering a significant part of the overlap created by the addition of the Taranto facility to ArcelorMittal's portfolio. The Commission found that the remedy is sufficient to reduce the market power that ArcelorMittal would have achieved, also taking into account that the competitive constraint from import is particularly strong for hot rolled commodity products in Italy and Southern Europe. Furthermore, as regards Galati, ArcelorMittal also committed to provide funding to incentivise the expansion of the hot rolled steel production under a new buyer.
- As regards **cold rolled steel**, the divested assets cover the vast majority of the parties' overlap in production capacity. This concerns in particular the finishing plants in Belgium (Liège), in Italy (Piombino) and in the Former Yugoslav Republic of Macedonia (Skopje), and the integrated steel plant in Romania (Galati).
- Finally, as regards **galvanised steel**, where competition between ArcelorMittal and Ilva is the strongest, the divested assets cover the parties' overlap in production capacity in full. This concerns in particular the finishing plants in Belgium (Liège), in Luxembourg (Dudelange), in Italy (Piombino) and in the Former Yugoslav Republic of Macedonia (Skopje), and the integrated steel plant in Romania (Galati).

The Commission also found that the divested assets constitute viable businesses that would enable a suitable buyer(s) to effectively compete with the merged entity in the long-term. Furthermore, the divested assets cover the entire value chain, from primary steel-making capabilities to distribution assets, matching what both ArcelorMittal and Ilva currently do.

Finally, ArcelorMittal proposed to remove **Marcegaglia** (a significant Italian competitor for the production of galvanised flat carbon steel) from the consortium purchasing Ilva and committed not to acquire shares in Marcegaglia as part of the transaction. This avoids that competition could be weakened further by a strengthening of structural ties between the three companies.

On this basis, the Commission concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns and would ensure that competition is preserved on European steel markets, in the interest of European manufacturing industries and consumers. The decision is conditional on full compliance with the commitments.

**Next steps**

ArcelorMittal has committed to organise an open, non-discriminatory and transparent sales process of the divestiture package open to all potentially interested buyers. ArcelorMittal will then notify to the Commission its choice of one or more buyers for the assets. The Commission will assess whether the buyer(s) has/have the ability (i.e. expertise, financial resources etc.) and incentives to continue operating and developing the production assets in order to replicate Ilva as an active competitor of the merged entity on a lasting basis. In other words, the sale of a plant to a buyer, which would plan to subsequently close it down, would not be an acceptable solution.

As always, it is the responsibility of the companies involved in a merger, i.e. in this case ArcelorMittal and Ilva, to engage in a social dialogue with its workers and keep them informed of the process.

**EU trade measures to ensure a level playing field**

The EU takes action and is using the full potential of its trade defence toolbox to ensure a level-playing-field for EU steel industry and their ability to maintain jobs in the sector. While reacting to unfair imports by imposing anti-dumping and anti-subsidy duties, the Commission takes into account the concerns of EU steel industry but also the many small and large European businesses that rely on steel as an input. Currently, there are 53 trade defence measures in place on imports of steel and iron products, including from China, Russia, India and several others. In addition, 9 trade defence investigations for steel products are currently ongoing.

The Commission can also defend EU industry in a situation of an import surge threatens its economic interests. For that reason, the Commission is currently running an investigation that might result in imposing safeguard measures on various imported steel products from any country. This is one of the ways the Commission reacts to the market perturbations resulting from the recent US import restrictions on steel.

In addition to that, the Commission participates in the Global Forum on Steel Excess Capacity to tackle root causes of the global overcapacity in the steel sector to develop concrete policy solutions.

**Companies and products**

**ArcelorMittal**, headquartered in Luxembourg, mainly manufactures and sells flat carbon steel. It operates a wide production site network throughout Europe and is part of the global ArcelorMittal group. The Mittal family of India is the largest shareholder in the company, controlling just under 40% of the company.

**Ilva**, headquartered in Italy, manufactures and sells inter alia flat carbon steel. Its main production facilities are located in Italy, the largest site being the integrated steelworks in Taranto, Southern Italy. In addition, Ilva has finishing plants in Northern Italy.

In a separate investigation under EU State aid rules, the Commission concluded on 21 December 2017 that two loans granted by Italy in 2015 to support Ilva involved illegal State aid. The Commission requested Italy to recover this undue benefit of about €84 million from Ilva. Today's decision does not affect this previous State aid decision.

Today's merger decision also does not affect the outcome of the distinct infringement proceedings by the Commission against Italy for failure to ensure that Ilva complies with EU legislation on environmental standards. This means that the Commission is closely following whether environmental requirements are respected. The Commission continues to insist that the clean-up works urgently needed to safeguard the health of the neighbouring population and environment, as agreed in 2016-2017 with the Italian authorities, should suffer no delay.

**Merger control rules and procedure**

The transaction was notified to the Commission on 21 September 2017, and the Commission opened an in-depth investigation on 8 November 2017.

The Commission has the duty to assess mergers and acquisitions involving companies with a turnover above certain thresholds (see Article 1 of the Merger Regulation) and to prevent concentrations that would significantly impede effective competition in the EEA or any substantial part of it.

The vast majority of notified mergers do not pose competition problems and are cleared after a routine review. From the moment a transaction is notified, the Commission generally has 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are currently three on-going phase II merger investigations: the proposed merger between Praxair and Linde, the proposed acquisition of Cristal by Tronox, and the proposed acquisition of Shazam by Apple.

More information will be available on the competition website, in the Commission's public case register under the case number M.8444.

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# [It’s time to take firm action and stop ticket touts ripping off music fans]()

Ticket touts used to be those dodgy guys who hung around outside stadiums or - concert halls with bundles of tickets in their pockets. But today, the ticketing business is a multi-million pound international concern and one of our biggest consumer crises.

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# [Questions on cars for Greg Clark]()

I share the Business Secretary’s concern for the health of the UK car production industry. I do not share his view that without an enhanced Customs partnership with the EU complex supply chains will slow down too much. Complex supply chains work just fine today into the UK from outside the EU, demonstrating you do not need to be in the Customs Union to run them successfully. We will control access to our markets once we leave the EU so why would we want to slow down important components coming in?

What I want Mr Clark to do is to stand up for the UK car industry today. Over the last year there has been a sharp decline in sales and output, led by a big fall in diesel cars. This followed a nine month period of great growth after the Referendum vote, and dates from the March 2017 budget. So will Mr Clark now intervene, as he likes to do, to stop the output fall and job losses?

Will he challenge the Chancellor about the impact of the higher rates of VED introduced in 2017?

Will he seek some easing of policies which have been restricting car loans on new vehicles?

Will he reduce the attacks on diesel cars? Surely if he wants to see big switch away from diesel cars over the next twenty years or so he needs to pace the change so it does not damage existing investments and output. Modern diesel cars are about as clean as petrol vehicles and meet much higher standards on emissions than previous generations of cars. The UK worked hard to attract inward investment into car diesel engine production, only now to turn round against the products.

Mr Clark says he is running an industrial policy to promote more business. He needs to revisit the government's policies towards cars where output has been hit. As we are still in the EU this fall has nothing to do with Brexit.