

Press release: Competition concerns for oil and gas engineering services merger

The Competition and Markets Authority (CMA) has been investigating the planned merger of the 2 companies which supply engineering services to the UK's Upstream Offshore oil and gas sector.

At the end of its initial investigation, the CMA has found that the merger could lead to competition concerns in the supply of engineering and construction (E&C) services and operation and maintenance (O&M) services on the UK continental shelf.

This is because the companies currently compete closely with each other, and are 2 of the main suppliers of these services; the merger will reduce the number of major players currently active in these markets from 4 to 3; there are concerns that competition from other suppliers may not be sufficient to mitigate competition worries; and other suppliers seeking to enter the market or expand their UK presence may face significant barriers to doing so.

The Wood Group announced at the start of the CMA's initial investigation that it intended to offer proposals to resolve competition concerns, should any be found. Therefore, the case team looking at the merger has (without prejudice to the outcome of the investigation) worked constructively with the 2 companies involved to shape proposed remedies and provide guidance on whether these would be suitable to address possible competition issues.

The Wood Group has until 9 August 2017 to formalise its final remedies proposal. If it does not formally submit a remedies proposal, or if the remedies offered do not sufficiently address the competition concerns that the CMA has identified, the merger will be referred for an in-depth 'phase 2' investigation.

Kate Collyer, Deputy Chief Economic Adviser and the decision maker in this case, said:

We have consulted widely on the implications of this merger and it is clear that Wood Group and Amec Foster Wheeler have a particularly strong market position in the supply of key services to the Upstream Offshore oil and gas sector in the UK. The merger would, therefore, remove the rivalry between 2 of the 4 main suppliers of these services.

Based on our initial investigation, this could significantly reduce customers' ability to obtain competitive bids, which could lead to increased prices and affect the competitiveness of the oil and gas industry in the UK.

The CMA's team will continue to work constructively with the Wood Group and Amec Foster Wheeler in the assessment of the remedies that they intend to formally offer to address these concerns. This merger will, however, warrant an in-depth investigation, unless the companies offer suitable proposals to address our concerns.

Information relating to this investigation can be found on the [case page](#).

Notes for editors

1. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law. For more information on the CMA see our [homepage](#) or follow us on Twitter [@CMAgovuk](#), [Flickr](#) and [LinkedIn](#). Sign up to our [email alerts](#) to receive updates on merger cases.
2. Under the Enterprise Act 2002 (the Act) the CMA has a duty to make a merger reference, resulting in an in-depth phase 2 merger investigation, if the CMA believes that it is or may be the case that a 'relevant merger situation' has been created, or arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation; and that the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the United Kingdom for goods or services.
3. Under the Act a 'relevant merger situation' is created if 2 or more enterprises have ceased to be distinct enterprises; and the value of the turnover in the United Kingdom of the enterprise being taken over exceeds £70 million ('the turnover test') or as a result of the transaction, in relation to the supply of goods or services of any description, a 25% share of supply in the UK (or a substantial part of the UK) is created or enhanced ('the share of supply test').
4. Under paragraphs 8.7 and 8.8 of the [CMA's Mergers – Jurisdiction and Procedure Guidance](#), the merger parties can engage with the CMA's case team on remedies prior to any decision for reference. However, the case team is not able formally to agree with the parties whether a particular package of undertakings in lieu would or would not be sufficient. This is because the final decisions on whether, first, the duty to refer arises and, (if it does) second, whether to accept undertakings in lieu are not to be pre-judged and remain with the phase 1 decision maker.
5. The CMA considers that it is under a duty to make a phase 2 merger reference in this case under the Act. However, the duty to refer is not exercised while the CMA is considering whether to accept undertakings in lieu of a reference. The Wood Group have until 9 August to offer undertakings that might be accepted by the CMA. If no undertaking is offered or accepted, then the CMA will refer the merger for a phase 2 merger investigation.
6. All the CMA's functions in phase 2 merger investigations are performed by inquiry groups chosen from the CMA's panel members. The appointed inquiry group are the decision makers on merger investigations. The

CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an inquiry group usually reflects a mix of expertise and experience (including industry experience).

7. The text of this decision will be placed on the [case page](#) in due course.
8. Media enquiries should be directed to beatrice.cole@cma.gsi.gov.uk, 020 3738 6472.