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Common Market for Eastern and Southern Africa

Case File No. CCC/MER/04/13/2019

Decision[1] of the Fifty-Ninth (59th) Committee Responsible for Initial Determination Regarding the Proposed Merger involving Saudi Arabian Oil Company and Saudi Basic Industries Corporation

ECONOMIC SECTOR: Chemicals

30th July 2019

[1] In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible the information omitted has been replaced by ranges of figures or a general description.

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Information and Relevant Background

1. On 29th April 2019, the COMESA Competition Commission (hereinafter referred to as the "**Commission**") received a notification for approval of a merger involving Saudi Arabian Oil Company (together with the entities it directly or indirectly controls, "**Saudi Aramco**"), and Saudi Basic Industries Corporation (together with the entities it directly or indirectly controls, "**SABIC**").

2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (the "**Regulations**"). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.

3. The Committee Responsible for Initial Determination (the "**CID**") established that the parties operate in more than one COMESA Member State and they meet the prescribed notification thresholds. This therefore means that the regional dimension requirement under Article 23(3) of the Regulations is satisfied and asserts jurisdiction on the Commission to assess the transaction.

The Parties

Saudi Aramco (the Acquirer)

4. It was submitted that Saudi Aramco is a joint stock company incorporated in and wholly-owned by the Kingdom of Saudi Arabia. Saudi Aramco is primarily engaged in the exploration, production and marketing of crude oil and, to a more limited extent, in the production and marketing of refined products and petrochemicals. In the Common Market, Saudi Aramco earns revenue in Egypt, Kenya, Libya, Sudan, and Tunisia.

SABIC (the Target)

5. It was submitted that SABIC is a joint stock company established by Royal Decree of the Kingdom of Saudi Arabia. SABIC is primarily active in the production and sale of commodity chemicals (including petrochemicals), intermediates, polymers (also referred to as plastics), fertilizers. In the Common Market, SABIC earns revenue in the Democratic Republic of Congo, Djibouti, Egypt, Ethiopia, Kenya, Libya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tunisia, Uganda, Zambia, and Zimbabwe.

Nature of the Transaction

6. The parties have submitted that the notified transaction entails the proposed acquisition by Saudi Aramco of sole control of SABIC by way of an acquisition of 70% of SABIC's shares.

Competition Analysis

7. The CID defined the relevant markets as follows:

    a) Supply of EP(D)M at global level;

Bgt

nMe. TPD

b) Supply of Polybutadiene rubber at global level;
c) Supply of Ethanolamine at global level;
d) Supply of High-density Polyethylene at global level;
e) Supply of Low-density Polyethylene at global level;
f) Supply of Propylene at global level; and
g) Supply of Polypropylene resins at global level.

8. The CID observed that the transaction is not likely to raise significant competition concerns due to the relatively low market shares of the merging parties in the relevant markets. The CID also observed that the relevant markets are characterised by the presence of global competitors which will continue to give competitive pressure to the merging parties.

Determination

9. The CID determined that the merger is not likely to substantially lessen or prevent competition in the Common Market or any substantial part of it. The CID further determined that the merger is unlikely to have foreclosure effects that may partition the Common Market thereby negating the fundamental Treaty objective of full market integration. The CID therefore approved the transaction.

10. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 30th day of July, 2019

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Commissioner Patrick Okilangole (Chairperson)

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Commissioner Brian M. Lingela **Commissioner Thembelihle P. Dube Nee Dlamini**