

Simplified notification of concentration

between
INEOS E&P A/S
and
HESS DENMARK ApS

Oslo, 14 April 2021

Confidential
Contains business secrets

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1. CONTACT DETAILS

1.1 The notifying party

| | |
|---------------------|--|
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| Reg. no.: | 73349613 |
| Address: | Teknikerbyen 5, 1 2830 Virum, Denmark |
| Representative: | Advokatfirmaet BAHR AS |
| Attorney in charge: | Beret Sundet |
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1.2 Other involved party

| | |
|-----------|--|
| Name: | Hess Denmark ApS |
| Reg. no.: | 73589118 |
| Address: | Østergade 24B DK-1100 Copenhagen K, Denmark |

2. THE TRANSACTION

- (1) On 18 March 2021, INEOS E&P A/S, a wholly-owned subsidiary of INEOS Limited (“INEOS” or “the Notifying Party”) and Hess (Netherlands) Holding B.V. (as seller) and Hess Corporation (as seller guarantor) entered into a share purchase agreement concerning the acquisition of 100 % of the shares in Hess Denmark ApS (“Hess Denmark”) (“the Transaction”).
- (2) As a consequence of the Transaction, INEOS will have sole control of Hess Denmark. Accordingly, the proposed Transaction constitutes a concentration according to Section 17 of the Norwegian Competition Act. Completion is conditional on the approval of the Norwegian Competition Authority, as well as the competition authority in the Netherlands and regulatory approval from the Danish Energy Agency.
- (3) The Transaction would see INEOS take control of certain oil and gas operations based in the Danish sea which sell products into Norway.
- (4) Hess Denmark holds 61.5 % of the production licence in the Syd Arne oil field, which is also operated by Hess Denmark. The Transaction will complement the 36.8 % share INEOS already holds in that field. INEOS will also acquire 4.8 % of the Solsort field, which is in a pre-development phase and does not currently produce any crude oil or natural gas. The Solsort field is operated by INEOS E&P A/S under a unitisation and unit operating agreement.
- (5) INEOS currently operates the Siri field in Denmark. By becoming operator of Syd Arne, INEOS expects to unlock operational and cost synergies between the two assets. With this acquisition INEOS also plans to add further value through organic growth projects which will further

extend the life of the asset within the context of the Danish Government's decision to cease production on the Danish shelf by 2050.

3. APPLICABILITY OF THE SIMPLIFIED MERGER PROCEDURE

- (6) The Parties submit that the transaction fulfils the criteria for a simplified notification in accordance with Section 3, first paragraph, item 3, letter b and c of the Regulation on the Notification of Concentration ("Regulation of Notification").
- (7) The proposed transaction gives rise to a horizontal overlap between INEOS and the Target on the markets for wholesale production of crude oil and wholesale production of natural gas. However, as follows from Section 6 below, the combined market share of the Parties is below 20 % on any plausible market definition.
- (8) The proposed transaction also gives rise to certain vertical overlaps. However, as follows from Section 7 below, the market shares of the Parties' are well below 30 % on all plausible upstream and downstream markets.
- (9) Consequently, there are no markets affected by the Transaction and the proposed transaction qualifies for the simplified notification procedure in accordance with Section 3 of the Regulation of Notification.

4. DESCRIPTION OF THE PARTIES

4.1 INEOS E&P A/S & INEOS

- (10) INEOS is the parent company in a group of companies ultimately controlled by James Ratcliffe. INEOS is a global manufacturer of petrochemicals, speciality chemicals and oil products.
- (11) The INEOS Group operates 36 individual business units with 194 sites across 29 countries, covering the chemical and oil & gas industries, together with a number of consumer brands including the INEOS Grenadier which sells the 4x4 vehicle Grenadier and INEOS Hygienics which produces hand sanitiser. Its chemical businesses are organised across a number of divisions including INEOS Styrolution, INOVYN and INEOS Enterprises. INEOS operates a number of oil & gas businesses in the North Sea, together with the Forties Pipeline System and a refining joint venture, Petroineos. Details of all INEOS group companies may be found in **Annex 1**.
- (12) INEOS generated ██████████ in global revenues in 2019, and employed over 26,000 people. For more detailed information please see <https://www.ineos.com/our-businesses/>
- (13) INEOS Oil & Gas is active in the exploration, production and trading of oil and gas in Norway, Denmark and the UK. INEOS' Oil and Gas activities on the Norwegian shelf are managed by INEOS E&P Norge AS, which is headquartered in the Stavanger office.¹ INEOS E&P Norge AS has approx. 52 employees based in Norway.

¹ INEOS has recently entered into an agreement concerning the sale of INEOS' Norwegian activities within oil and gas to PGNiG Upstream Norway AS, a Norwegian unit of Poland's oil and gas player PGNiG, see [https://www.ineos.com/news/ineos-group/ineos-energy-to-sell-its-norwegian-oil-and-gas-business-to-pgnig-for-\\$615m/](https://www.ineos.com/news/ineos-group/ineos-energy-to-sell-its-norwegian-oil-and-gas-business-to-pgnig-for-$615m/). The divestment, announced on 25 March 2021, is expected to complete later this year subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance

(14) INEOS is active in Norway in the chemical business through Invovyn which has approximately 320 employees based in Norway, INEOS Bamble which has approximately 120 employees in Norway and INEOS Rafnes which has approximately 165 employees in Norway.

(15) More information about INEOS corporation is available on its website, at <https://www.ineos.com/>.

4.2 HESS DENMARK ApS

(16) Hess Denmark is an oil and gas supplier. Hess Denmark extracts petroleum products, natural gas, and crude oil.² Hess Denmark operates throughout Denmark, and is a subsidiary of the international E&P company Hess Corporation.

(17) Hess Denmark's oil and gas extraction business is based exclusively in Denmark (though the wider Hess Group has activities elsewhere). Hess Denmark has been active in the Danish North Sea since becoming the operator of the Syd Arne field in 1994. The Syd Arne Field, located about 150 miles west of Esbjerg, produced an average of 5,800 barrels of oil equivalent per day net to Hess in the fourth quarter of 2020.

(18) Hess Denmark also holds 4.8 % of the Solsort field, which is a pre-development field operated by INEOS E&P A/S under a unitisation and unit operating agreement. No FID to develop the field has been taken.³ There is therefore no production or turnover related to the Solsort field.

(19) Hess Denmark sells crude oil to customers which have refineries located within countries which border the North Sea. Some of the customers Hess Denmark sells its produced hydrocarbons to are located in Norway. All the participants on the Syd Arne production licence, including Hess Denmark and INEOS, sell the Syd Arne gas produced under a life of field joint GSA to a third party (Ørsted Salg & Service A/S) with a delivery point just downstream of the Syd Arne platform.

(20) In 2019 Hess Denmark had 99 employees and a total turnover of [REDACTED]. In 2020 Hess Denmark reduced its employee count to about 60. Audited financial figures for 2020 are not yet available.

(21) The Transaction is related to Hess Corporation discontinuing its activities in Denmark.

(22) Hess Corporation is a leading global independent energy company engaged in the exploration and production of crude oil and natural gas. A complete list of the Hess Corporation and consolidated subsidiaries is available in the annual report for 2019.

(23) More information about Hess Corporation is available on its website, at www.hess.com.

² Hess Denmark also holds certain legacy exploration licences, which have been relinquished. Hess Denmark is therefore not active within exploration of oil and gas

³ It is only when a FID has been taken and a field enters the construction stage that it could be reasonably predicted that the field will enter production. In contrast, before a FID has been taken it is uncertain that a field will reach the production stage. Even those fields late in the appraisal stage will not start producing unless a positive FID is taken, and even then it can take several years from the FID to first oil/gas being produced, pending the size and complexity of the development.

5. TURNOVER

| Group turnover in Norway 2019 (NOK) | |
|-------------------------------------|------------|
| INEOS | [REDACTED] |
| Hess Denmark | [REDACTED] |

6. HORIZONTAL OVERLAP - NO MARKETS AFFECTED

(24) A number of reportable, but no affected markets, arise as a result of the Transaction. There is no risk of competition concerns in relation to any of these reportable markets in light of the Parties' very low market shares

(25) Based on industry practice and the product and geographic segmentations identified by the Commission in previous cases involving the upstream oil and gas sector, there are several product markets in which INEOS and Hess Denmark's activities horizontally overlap. These are (i) the wholesale of crude oil worldwide, and (ii) the wholesale of natural gas in the EEA.⁴

6.1 Wholesale of crude oil

(26) The wholesale of crude oil includes the development, production and sale. This involves setting up adequate infrastructure for the production and exploitation of crude oil reserves and the selling of the products in the market place (primarily to traders). The Commission has consistently found a global market for the development, production and wholesale supply of crude oil (except in relation to 'difficult to reach' customers where a geographic market based on pipelines may be appropriate).⁵

(27) The Transaction gives rise to horizontal overlap in the global market for wholesale of crude oil as both INEOS and Hess Denmark are active on this market.

(28) INEOS is active in wholesale of crude oil with production facilities in Norway, Denmark and the UK. Hess Denmark is only active in wholesale of crude oil from the Syd Arne field in Denmark. Hess Denmark sells crude oil to customers located along the northwest part of Europe, including to ExxonMobil's refinery at Slagen outside Tønsberg.

(29) Competition in the EEA for the development, production and sale of crude oil is unaffected by the Transaction. Although both Hess Denmark and INEOS are active in this market they are very minor players. The major producers of crude oil are major multi-nationals such as Equinor and Total.

(30) The size of the worldwide market for the production and wholesale of oil is 4 525 million tonnes of oil equivalent in 2019, according to IEA, equivalent to approximately 33 892 million barrels.⁶

⁴ Hess Denmark does not perform drilling or other exploration activities today, and are not in possession of exploration licences. There is therefore no overlap in the market for oil and gas exploration.

⁵ COMP/M.6801 - Rosneft/TNK-BP, paragraphs 16-20 and COMP/M.7318 - Rosneft/Morgan Stanley Global Oil Merchanting Unit, paragraph 11.

⁶ According to the BP Statistical Review 2020, the 2019 worldwide oil production equates to 34 745 million barrels equivalent to 4 788 million tonnes.

(31) In 2020, INEOS total production and sale of crude oil was [REDACTED],⁷ while Hess Denmark's 2020 total oil production and sale was [REDACTED]. The combined market share of the Parties is therefore below [REDACTED] in the global market for wholesale of crude oil.

(32) No affected markets therefore arise in relation to the development, production and sale of crude oil. Combined market shares at this level will not give rise to any plausible competition concerns.

6.2 Wholesale of natural gas

(33) The Commission has consistently found that there is a distinct market for the wholesale of natural gas, which includes the development, production and sale of natural gas, and that this market is EEA-wide.⁸

(34) The Parties are both active within the wholesale production, development and sale of natural gas. INEOS produces and sells natural gas from a number of its fields, including Syd Arne, while Hess Denmark sells natural gas from the Syd Arne field only.⁹ INEOS' gas production is sold across North-Western Europe. INEOS current Danish gas production is sold to Ørsted at a delivery point just downstream of the Syd Arne platform. INEOS gas production in Norway and UK is primarily sold to Ørsted and to INEOS Trading for further sale to open short-term markets.

(35) Competition in the market for the wholesale of natural gas in the EEA is unaffected by the Transaction. Although both Hess Denmark and INEOS are active in the production of natural gas in the EEA they are both minor players. The major producers of natural gas in the EEA are major multi-nationals such as Statoil, ExxonMobil and Shell.

(36) The EEA-wide production and sale of natural gas in 2019 was 235.9 billion cubic meters according to the BP Statistical Review 2020. INEOS' total gas production and sale in 2019 [REDACTED], constituting a market share of approximately [REDACTED].¹⁰ Hess Denmark's production and sale of natural gas in 2019 was [REDACTED], constituting a market share of approximately [REDACTED].

(37) No affected markets therefore arise in relation to the development, production and sale of natural gas. Combined market shares at this level will not give rise to any plausible competition concerns.

7. VERTICAL OVERLAPS - NO MARKETS AFFECTED

(38) INEOS and Hess have a potential vertical overlap in the following markets:

- i. Exploration of oil and gas - wholesale of crude oil and natural gas;
- ii. wholesale of crude oil - trading of crude oil;
- iii. wholesale of crude oil - refining crude oil; and

⁷ This includes production in Norway. The Norwegian business will be divested to PGNiG Upstream Norway. The divestment, announced on 25 March 2021, is expected to complete later this year subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance.

⁸ COMP/M.9175 - Total/Chevron Denmark, paragraph 26

⁹ All the participants on the Syd Arne production licence, including Hess Denmark and INEOS, sell the Syd Arne gas produced under a joint GSA to a third party (Ørsted Salg & Service A/S).

¹⁰ This includes production in Norway. The Norwegian business will be divested to PGNiG Upstream Norway. The divestment, announced on 25 March 2021, is expected to complete later this year subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance

iv. wholesale of crude oil and natural gas - storage and logistical services.

- (39) However, the market shares of the Parties' are well below 30 % on all upstream and downstream markets and there are therefore no affected markets.

7.1 Exploration of oil and gas - wholesale of crude oil and natural gas

- (40) The Commission has previously defined a single upstream market for the exploration (i.e. the finding of new hydrocarbon reserves) of crude oil and natural gas, distinct from the market for exploration of oil and gas. The Commission has consistently defined the market for exploration of crude oil and natural gas as global in scope, as the companies engaged in exploration do not generally limit their activities to a particular geographic area.¹¹
- (41) INEOS is active within the global market for exploration of oil and gas. As a result, there is a potential relationship between INEOS and Hess Denmark's activities within wholesale of crude oil and natural gas.
- (42) The size of the global oil and gas exploration market measured by proven reserves was, according to the BP Statistical Review 2020, 1 733.9 billion barrels of crude oil and 198.8 trillion cubic meters (equivalent to 1 240 billion BOE) gas reserves in 2019. INEOS' aggregate 2020 share of reserves of oil and gas reserves amounted to [REDACTED],¹² which gives an [REDACTED] market share.
- (43) As stated above, Hess Denmark's market share within wholesale of crude oil and natural gas is minimal.
- (44) Against the background of the above, there will be no ability or incentive for either input or customer foreclosure following the Transaction.

7.2 Wholesale production of oil - trading of crude oil

- (45) As stated above, the Commission has previously identified a global market for wholesale production of crude oil. In a number of previous decisions, the Commission has considered the trading of crude oil and refined petroleum products may be a distinct product market, which is EEA-wide or worldwide in geographic scope.¹³ However, the Commission has also noted that the trading of crude oil may be part of the wider product market for production and sale of crude oil.¹⁴
- (46) Crude oil trading involves traders buying and reselling third party products with a view to obtaining a broker's margin.
- (47) INEOS is involved in crude oil trading through its joint venture Petroineos. The joint venture is structured so that INEOS' joint venture partner PetroChina manages the day to day trading activities of Petroineos in which INEOS is not involved directly.

¹¹ Case 3173 - Wintershall - Clyde, 28 October 2002, paragraph 16, COMP/M.7631 - Royal Dutch Shell/BG Group, paragraph 10 and COMP/M.7318 - Rosneft/Morgan Stanley Global Oil Merchanting Unit, paragraph 9 and COMP/M.6910 - Gazprom/Wintershall/Target Companies, paragraph 47.

¹² This includes reserves in Norway. The Norwegian business will be divested to PGNiG Upstream Norway. The divestment, announced on 25 March 2021, is expected to complete later this year subject to approval by the Norwegian Ministry of Petroleum and Energy and the Norwegian Ministry of Finance

¹³ See, for instance, COMP/M.4208 - Petroplus/ European Petroleum Holdings, paragraph 10.

¹⁴ COMP/M.7318 - Rosneft / Morgan Stanley Global Oil Merchanting Unit of 3 September 2014, paragraphs 18 to 21.

- (48) Should trading of crude oil be considered a separate market from wholesale production and supply of crude oil, a vertical relationship will arise between Hess Denmark's activities within wholesale of crude oil and INEOS', through its subsidiary Petroineos, activities in trading of crude oil.
- (49) However, even if crude oil trading is deemed to be a distinct market in respect of which a vertical overlap arises, there is no vertically affected market.
- (50) The Parties have minimal shares upstream of [REDACTED] on the global market for the wholesale of crude oil. INEOS has a limited position downstream on the global market for trading of crude oil, with a market share, in the best estimate of the Notifying Party, significantly below [REDACTED]. Even if the market for crude oil trading were considered to be EEA-wide, INEOS' market share is [REDACTED].
- (51) Against the background of the above, there will be no ability or incentive for either input or customer foreclosure following the Transaction.

7.3 Wholesale production of oil - crude oil refining

- (52) As noted above, the Commission has previously identified a global market for wholesale production of crude oil.
- (53) The Commission has considered the relevant geographic market for the downstream market of crude oil refining to be EEA-wide, due to the significant cross-border trade of refined petroleum products in Europe, resulting from the absence of tariffs or other substantial cost barriers.¹⁵
- (54) INEOS, through its subsidiary Petroineos, is active in oil refining and selling refined fuel products primarily on an exrefinery basis.
- (55) There is therefore a vertical relationship between Hess' upstream activities within wholesale production of crude oil and INEOS' downstream activities in refining crude oil through Petroineos.
- (56) Hess does not currently supply oil to INEOS' oil refineries.
- (57) INEOS and Hess will following the transaction have a market share of approximately [REDACTED] of annual production of crude oil globally.
- (58) According to the best estimate of the Notifying Party, the total oil refining capacity in the EEA was [REDACTED] barrels per day. INEOS' oil refining capacity is [REDACTED] barrels per day. Accordingly, INEOS accounts for a small share below [REDACTED] downstream oil refining in the EEA.
- (59) Against this background, there will be no ability or incentive for either input or customer foreclosure following the Transaction.

¹⁵ COMP/M.4934 - Kazmuaigaz / Rompetrol of 19 November 2007, paragraph 12.

7.4 Logistical and warehouse services - wholesale production of crude oil and natural gas

- (60) INEOS E&P A/S provides certain upstream logistics and warehouse services to Hess Denmark. A vertical relationship therefore arises between Hess Denmark's activities within wholesale crude oil and natural gas and INEOS E&P A/S' logistics and warehouse services.
- (61) These services include operational services such as practical coordination of helicopter (logistic) services provided by a third contractor in relation to Hess Denmark's and INEOS' offshore activities in Denmark. Moreover, this includes storage and handling of spare parts in support of offshore activities. Hess purchases such services for approximately DKK [REDACTED] per year (approximately DKK [REDACTED] for the operational services and approximately DKK [REDACTED] for the storage services).
- (62) The Commission has previously considered a possible market for contract logistics, which is considered to be national or EEA wide.¹⁶
- (63) The Notifying Party consider the market for provision of such logistics and warehouse services to at least cover Norway, Denmark and the UK, as warehouse services can be provided by a suitable harbour around the North Sea.
- (64) Hess Denmark's market share on the markets for wholesale crude oil and natural gas are, as stated above, insignificant.
- (65) INEOS does not have available any precise estimates for the total market for provisions of warehouse and logistical services in Norway, Denmark and the UK, but its best estimate is that its market share within such market will be significantly less than 30% whether those countries are combined or looked at individually. Considering Esbjerg harbour specifically, there are several customers requiring warehouse and logistical services, such as Danish Underground Consortium, which is a joint venture between Total, Noreco and Nordsøfonde, and players active within solar and wind power. There are therefore a number of service providers offering services within warehouse and logistics to meet the demand of these customers. INEOS considers its market share to be insignificant and in any event below [REDACTED].
- (66) Against this background, there is no ability or incentive for either input or customer foreclosure following the Transaction.

¹⁶ COMP/M.9824 - XPO Logistics/Kuehne+Nagel Drinkflow Logistics Holdings

8. MOST IMPORTANT CUSTOMERS, COMPETIORS AND SUPPLIERS

8.1 Main customers

8.1.1 INEOS

| Name | Contact information |
|------------|---------------------|
| [REDACTED] | |

8.1.2 Hess Denmark

| Name | Contact information |
|------------|---------------------|
| [REDACTED] | |

8.2 Main competitors

(67) INEOS and Hess Denmark consider their main competitors to be the same:

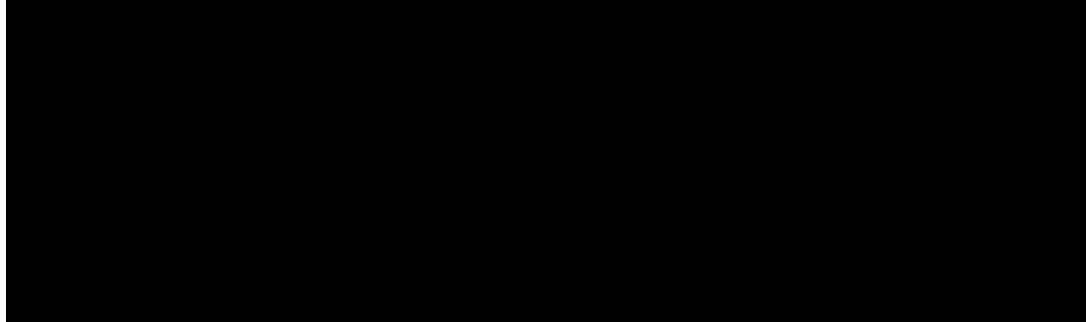
| Name | Contact information |
|---------|---|
| Equinor | Bjarne Hetland, bjahet@equinor.com |
| Shell | Joycelyn Normanton, jocely.gair@shell.com |
| BP | David Myers, David.myers1@bp.com |
| Total | Philippe Dib, Phillippe.dib@totsa.com |
| Eni | Emmanuel Amati, Emanuele.amati@eni.com |

8.3 Main suppliers

8.3.1 INEOS

| Name | Contact information |
|------------|---------------------|
| [REDACTED] | |

8.3.2 Hess Denmark

| Name | Contact information |
|--|---------------------|
|  | |
| | |

9. ANNUAL REPORTS

- (68) Annual reports for INEOS Group are available at <https://www.ineos.com/investor-relations/annual-reports/>. The 2019 annual accounts for INEOS E&P A/S is attached as **Annex 2**.
- (69) Annual reports for Hess Corporation are available at <https://investors.hess.com/Annual-Reports/>.

10. OTHER

- (70) The transaction will also be notified to competition authorities in the Netherlands.

11. CONFIDENTIALITY

- (71) The notification contains business secrets. The business secrets are marked with **green** backgrounds. Reasons for an exemption from public disclosure are set out in **Annex 3**.

Yours sincerely,
for Advokatfirmaet BAHR AS



Ingeborg Maria Gudem
Associate
Lawyer in charge: Beret Sundet