



Mergers: Commission approves BASF's acquisition of Solvay's nylon business, subject to conditions

Brussels, 18 January 2019

The European Commission has approved, under the EU Merger Regulation, the proposed acquisition of Solvay's nylon business by BASF. The approval is conditional on the divestiture of a remedy package.

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Nylon is used in many different types of products, not only textile or carpets but also in car components, to make them lighter and more environmentally friendly. Our decision will allow for the creation of a significant European player in this market because the commitments offered by BASF and Solvay ensure that the merger will not lead to higher prices or less choice for European businesses and, ultimately, consumers."*

Today's decision follows an [in-depth review](#) of the proposed transaction. The proposed transaction involves Solvay and BASF, two companies active in the nylon industry, where both manufacture nylon compounds and nylon fibres.

Nylon compounds are used in a wide range of applications, particularly in the automotive and electronics industries, due to their light weight and good thermal resistance. They are among the advanced materials used to develop lighter cars which produce less noxious emissions. **Nylon fibres** are used in particular for clothing and sportswear. The manufacture of nylon compounds and nylon fibres requires as a key input Adiponitrile ("ADN"), an oil derivative.

BASF and Solvay have dominant or strong market positions throughout the nylon value chain, and in particular the value chain of a type of nylon called "**nylon 6.6**".

The Commission's investigation

Following its in-depth market investigation, the Commission identified the following competition concerns with the transaction as originally notified:

- It would lead to a **reduction of the number of suitable suppliers and likely price increases** in a number of markets related to the nylon industry in the European Economic Area (EEA): the markets for ADN, a key upstream input for the nylon 6.6 value chain, but also hexamethylene diamine, adipic acid, hexamethylenediamine adipate salt, nylon 6.6 base polymer, nylon 6.6 engineering plastics and nylon 6 3D printing powder.
- Due to the limited number of suppliers of intermediate products, the merged entity would also have the **ability and incentive to restrict its competitors' access to essential inputs** including ADN, hexamethylene diamine, adipic acid, hexamethylenediamine adipate salt, and nylon 6.6 base polymer in the EEA.

In addition, there was no indication that the existing level of competition could be maintained by new entrants because of high barriers to entry in these markets. In particular, access to essential inputs is limited and critical to be able to compete effectively.

The commitments

To address the Commission's competition concerns, BASF and Solvay offered the following commitments:

- The **divestiture of Solvay's facilities** at Belle-Etoile and Valence (France), Gorzow (Poland), and Blanes (Spain) to a single suitable buyer. These facilities produce hexamethylene diamine, hexamethylenediamine adipate salt, nylon 6.6 base polymer, nylon 6.6 engineering plastics and nylon 6 3D printing powder.
- The **creation of a production joint venture** in Chalampé (France) between the merged entity and the buyer of the divested assets, for the production of adipic acid.
- **Long-term supply agreements for ADN** to meet the divestment business' requirements.

The commitments fully remove the overlap between BASF and Solvay in the markets where the Commission had identified competition concerns.

Therefore, the Commission concluded that the proposed transaction, as modified by the commitments, would no longer raise competition concerns in the EEA. The Commission's decision is conditional upon full compliance with the commitments.

Companies and products

BASF, headquartered in Germany, is a large diversified chemical company active in a range of sectors including chemicals, performance products, functional materials and solutions, agricultural solutions and oil & gas.

Solvay, headquartered in Belgium, is a global manufacturer of chemicals and plastics. It is the only manufacturer in the EEA active at all levels of the nylon 6.6 value chain.

Merger control rules and procedures

The transaction was notified to the Commission on 22 May 2018.

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 a total of 25 working days to decide whether to grant approval (Phase I) or to start an in-depth investigation (Phase II).

There are currently six on-going phase II merger investigations: the proposed [acquisition by Vodafone of Liberty Global's business in Czechia, Germany, Hungary and Romania](#), the [proposed acquisition of VDM by Aperam](#), the [proposed acquisition of Whirlpool's refrigeration compressor business by Nidec](#), the proposed creation of a [joint venture by Tata Steel and ThyssenKrupp](#), the proposed [acquisition of Aurubis Rolled Products and Schwermetal by Wieland](#), and the proposed [acquisition of Alstom by Siemens](#).

More information will be available on the Commission's competition [website](#), in the public [case register](#) under the case number [M.8674](#).

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Press contacts:

[Ricardo CARDOSO](#) (+32 2 298 01 00)

[Maria TSONI](#) (+32 2 299 05 26)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)