



**BEFORE THE
COMPETITION COMMISSION OF PAKISTAN**

**IN THE MATTER OF
FIRST PHASE REVIEW**

**ACQUISITION OF SHARES OF PREMIER OIL
PAKISTAN HOLDING B.V. BY AL HAJ ENERGY LIMITED**

CASE: 885/Merger-CCP/17

Commission

Ms. Vadiyya S. Khalil
Chairperson



Mr. Ikram Ul Haque Qureshi
Member

Order

I Background

1 On 10 May 2017, Al Haj Energy Limited ("AHEL" or the "Acquirer") submitted a pre-merger application (the "Application") notifying and seeking clearance from the Competition Commission of Pakistan (the "Commission"), for the intended acquisition of shareholding of Premier Oil Pakistan Holdings B.V. ("POPH" or the "Target") by way of share purchase. The Application has been filed along with the necessary information under Section 11 of the Competition Act 2010 (the "Act") read with Regulation 6 of the Competition (Merger Control) Regulations 2016 (the "Merger Regulations").

II Merger Parties

Acquirer

2 AHEL, a company based in the United Arab Emirates (UAE), was incorporated to carry out the business of oil and gas exploration and production (E&P) in Pakistan. Mr. Taj Muhammad Afridi¹ (the "Purchaser") holds shares of AHEL. The transaction is financed by the Purchaser and a banking syndicate. According to the Share Purchase Agreement dated 4 April 2017 (the "SPA") among Premier Oil Overseas B.V. (the "Seller", an entity incorporated in the Netherlands), the Acquirer and Al Haj General Trading Co. LLC ("AHGTCL", an entity incorporated in Emirate of Dubai), AHGTCL shall provide financial support of up to USD and also act as guarantor for the purposes of the proposed transaction. The Purchaser holds up to shares in AHGTCL. The Purchaser and AHGTCL are taken together as the ultimate acquirers for the proposed transaction.

3 While there is no reportable turnover of AHEL as it has yet to commence its operations, AHGTCL's assets in the financial year ended 30 June 2016 were valued at approximately USD (approximately,) and its turnover remained at USD (approximately, PKR for the same period.

Target

4 POPH, a company incorporated in the Netherlands, is active in E&P of oil and natural gas in Pakistan. The company has three wholly owned subsidiaries² for carrying out the E&P of oil and gas in the province of Sindh and Baluchistan, Pakistan. The Seller holds the legal and beneficial ownership in the Target and its subsidiaries operating in Pakistan.

5 The Target's assets in the financial year ended 31 December 2016 were valued at PKR and its turnover remained at PKR for the same period.

Mr. Taj Muhammad Afridi is also CEO and a member of board of directors of (i) (ii) (iii) (iv)

(a) Premier Oil Pakistan Exploration Limited (POPEL) is a company incorporated in the United Kingdom; (b) Premier Oil Pakistan Kirthar B.V. (POPKBV) is a private limited liability company incorporated in the Netherlands; (c) Premier Oil Pakistan Kadanwari (POPK) is an exempted limited liability company incorporated in Cayman Island.



V&H

III Transaction

- 6 Pursuant to the SPA, the proposed transaction entails the acquisition of _____ shares of the Target by the Acquirer, the total consideration of which has been identified as USD _____ (approximately, PKR _____)
- 7 The transaction meets the notification thresholds as prescribed in Regulation 4(2)(a), (b), (c) & (d) of the Merger Regulations, with the undertakings' combined assets being more than PKR 1 billion, while the turnover of the undertakings is also more than PKR 1 billion. The transaction value exceeds PKR 100 million and the percentage of voting shares to be acquired also exceeds 10% of the total shareholding of the Target.

IV Relevant Market

- 8 The Commission considers that the oil and gas value chain can be segmented into upstream (exploration and production [E&P] sector including wholesale), mid-stream (encompassing facilities and processes between upstream and midstream involving the collection and transportation [through] pipelines, trucking fleets, tanker ships and rail cars, etc and storage of crude oil and related products) and downstream (comprising of oil refining, storage, transportation, marketing and distribution of refined petroleum products to end-consumers both retail [at fuel station] or industrial customers). The upstream E&P segment involves the initial exploration, appraisal and development of petroleum fields and production/extraction (underground or underwater reservoirs) of crude oil and natural gas. Since the Target is active in the upstream segment, the relevant product market is determined as E&P (including wholesale) of the oil and gas value chain.
- 9 The Acquirer has submitted that the relevant geographic market is the whole of Pakistan. As noted above, the Target is primarily active in the oil and gas fields located in the province of Sindh and Baluchistan, Pakistan. In this regard, the Commission observes that in some areas of oilfield products and services, the relevant geographic market can be distinguished on whether the respective product or service is provided on or off shore. Therefore, the competitive constraints on undertakings activities in the E&P segment may not be homogeneous across all geographic areas and that their relative strength may vary from one area to another. However, since, the regulatory requirements for the whole of oil and gas value chain including the E&P licensing are set by Oil and Gas Regulatory Authority (OGRA) of Pakistan, the relevant geographic is taken as being national in character.

V Findings of the Phase-I Competition Assessment



The competition assessment in Phase-I has resulted in the following finding:

With respect to the E&P segment and related infrastructure, the Target is already active in the relevant market, while the Acquirer has recently been incorporated to acquire the Target including its subsidiaries and operate as an oil/gas E&P entity. The Target's business comprises non-operated equity interest in six gas/condensate producing fields in Pakistan.


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- ii According to the Acquirer, the Target's subsidiaries (i) POPKL holds interest in Kadanwari block/PCA; (ii) POPEL holds interest in Dadu, Qadirpur, and Bolan block/PCA; and (iii) POPKBV holds interest in Bhit and Badhra A&B block/PCA respectively. The whole business of the Target is subject to the proposed merger.
- iii Based on the volume of production cited in Pakistan Energy Book of 2015, the Acquirer has submitted that the total size of the relevant market for Oil is _____ bbl (_____ bbl/day), and for Gas is _____ mmscf (_____ mmcf/day). However, the size of oil and gas market in monetary value is not available because there are around _____ oil and gas fields with varying pricing regimes in Pakistan. POPH holds _____ bbl in oil and _____ mmcf in gas in terms of sales in volume, which represents a market share of _____ in oil and _____ in the gas market. The oil and gas produced by POPH is purchased by Sui Southern Gas Company Limited and Sui Northern Pipelines Limited throughout Pakistan.
- iv Based on the above, it, therefore, appears that the proposed transaction is unlikely to affect competition in the E&P oil and gas market. Post merger, there will be no change in the market position or market shares of the merger parties. It will remain the same as the Acquirer is a newly incorporated company having not yet started its business operations and does not have any market presence in the relevant market independently of the Target
- v In the proposed transaction, while the relationship between merger parties has been identified as horizontal, this seems unlikely to lessen competition with market share in the relevant market. The transaction does not meet the presumption of a dominant position as is envisaged under Section 2(1)(e) read with Section 3 of the Act.

VI Conclusion

- 11 In conclusion, the proposed transaction is unlikely to substantially lessen competition through the creation or strengthening of a dominant position in the relevant market. The proposed transaction is hereby authorized under Section 31(1)(d)(i) of the Act.
- 12 It is so ordered.


Vadiyya S. Khalil
Chairperson


Ikram Ul Haque Qureshi
Member



Islamabad August 07, 2017