



DETERMINATION OF MERGER NOTIFICATION M/10/019 -

Barclays/Tricorona

Section 21 of the Competition Act 2002

Acquisition by Barclays of Tricorona

Dated 29 June 2010

Introduction

1. On 3 June 2010, in accordance with Section 18(1) of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Barclays PLC ("Barclays") would acquire sole control of Tricorona AB ("Tricorona") by way of a public bid.
2. Both Barclays and Tricorona are active in the business of trading carbon credits resulting from greenhouse gas emission reduction projects¹.

The Undertakings Involved

The Acquirer

3. Barclays is a global financial service provider engaged in retail banking, credit cards, corporate banking, investment banking, wealth management and investment management services.
4. In addition, Barclays Capital, a subsidiary of Barclays, is active in the international carbon market². Barclays Capital's activities in this market include:
 - (i) trading carbon credits, known as Certified Emission Reduction credits ("CERs"), resulting from greenhouse gas emissions projects developed under the framework of the Kyoto Protocol's Clean Development Mechanism ("CDM Projects")³;

¹ Countries with commitments under the Kyoto Protocol have accepted targets for limiting or reducing emissions of greenhouse gases (GHGs). Carbon dioxide (CO₂) is now tracked and traded like any other commodity. Emissions trading or a carbon market, is one of the three market-based implementation mechanisms of the Kyoto Protocol. Emissions trading allows countries to sell unused emissions permits to countries that have exceeded their targets. The European Union has set up its own emissions trading scheme (EU ETS) under which EU Member States set limits on CO₂ emissions from energy-intensive companies by issuing allowances as to how much CO₂ companies are allowed to emit.

² The carbon market comprises the players and institutions involved in the trade in carbon credits, i.e., the suppliers of carbon credits, the intermediaries and the end-users.

³ Under the Kyoto Protocol, the Clean Development Mechanism (CDM) allows industrialised countries to achieve part of their emission reduction commitments by conducting emission-reducing projects in developing countries and counting the reductions achieved toward their own commitments. A condition for the issue of credits in respect of the reductions achieved is that the projects result in real, measurable and long-term climate change benefits. CDM projects can earn saleable CERs, each credit equivalent to one tonne of CO₂, which can be counted towards meeting Kyoto targets: CERs can be traded in the so called "compliance markets". CDM projects must

- (ii) selling emission allowances issued under the EU ETS;
 - (iii) employing consultants to work with developers of CDM Projects; and,
 - (iv) providing debt and equity finance to CDM Projects.
5. In the State, Barclays Capital is [...] active in trading carbon credits as an intermediary between the suppliers of carbon credits such as CDM Project developers and end-users such as industrial and utility companies.

The Target

6. Tricorona is a Swedish-based company active in the carbon market. Tricorona develops CDM Projects in developing countries and sells the carbon credits resulting from these projects to intermediaries (e.g., brokers and traders) and end-users (e.g., European companies and public entities). Tricorona also provides consultancy services to companies and organisations that wish to become climate-neutral and brokerage services in the electricity market.
7. In the State, Tricorona is [...] active in trading carbon credits generated from its own CDM Projects to customers.

Analysis

8. In the State, both Barclays and Tricorona are active in the business of trading carbon credits.
9. The parties submit that the relevant product market includes the EU ETS allowances and CERs. The parties submit that the relevant geographic market is EU-wide.
10. The parties submit that it is difficult to provide a reliable estimate of the shares of the parties and their competitors in the global market for trading in carbon credits (e.g., EU ETS allowances and CERs). However, the parties' estimate that the market shares for Barclays and Tricorona, measured in terms of volume of emission allowances, are [15-20]% and [0-5]%⁴, respectively.
11. Based on the information provided by the parties and the analysis of the World Bank's report on the *State and Trends of the Carbon Market 2010*⁵, the Authority considers that the geographic scope of the carbon credits market is likely to be wider than the State.
12. As to whether the relevant product market is segmented by type of carbon credits, the Authority considers that for purposes of assessing the proposed transaction, it is not necessary to come to a final conclusion on this point since the proposed transaction is unlikely to

qualify through a rigorous and public registration and issuance process. The system for issuing the CERs is overseen by an international body, the CDM Executive Board, set up by the United Nations Framework Convention on Climate Change (UNFCCC). A CDM project activity might involve, for example, a rural electrification project using solar panels or the installation of more energy-efficient boilers.

⁴ This market share figure is based on the [...] of CERs delivered by Tricorona in 2010.

⁵ This report is available at the following link:

http://siteresources.worldbank.org/INTCARBONFINANCE/Resources/State_and_Trends_of_the_Carbon_Market_2010_low_res.pdf

raise any competitive concerns in respect of the business of trading carbon credits in the State.

13. The Authority considers that carbon credits can be purchased from a wide range of international developers of CDM Projects and international intermediaries such as brokers, traders, exchange platforms (e.g., ECX and Bluenext), financial institutions (e.g., banks, asset management companies and insurance companies), and companies trading under compulsion emission trading schemes such as the EU ETS.
14. In addition, Barclays' market share in the global market for carbon credit in 2010 was [15-20]% while Tricorona's market share in the same year was less than [0-5]%. This means that the increment of Barclay's market share as a result of the proposed transaction would be negligible.
15. In light of the above, the Authority is of the view that the proposed acquisition of Tricorona by Barclays will not raise any competition concerns in the State.

Determination

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed acquisition by Barclays PLC of sole control of Tricorona AB will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, the acquisition may be put into effect.

For the Competition Authority

Dr Stanley Wong
Member of the Competition Authority