

Mergers: Commission approves Nidec's acquisition of Embraco, subject to conditions

Commissioner Margrethe **Vestager**, in charge of competition policy, said: *"Most people have at least one refrigeration compressor at home, in a fridge or a freezer. They are also used in restaurants or shops, inside beverage coolers or ice cream cabinets. The conditions under which we have approved Nidec's acquisition of Embraco ensure that effective competition will continue in this sector, so that industrial customers and final consumers will not be harmed due to higher prices or less choice. We have also worked to ensure the viability of the plants to be divested by Nidec."*

Today's decision follows an in-depth review of the proposed transaction. This involves the acquisition by Nidec of Embraco, combining two leading global producers of refrigeration compressors used in household and light commercial appliances.

Refrigeration compressors are electro-mechanical devices used to lower the temperature of an enclosed space (such as a freezer or refrigerator) by compressing vaporised refrigerant. They are used for both **household and light commercial applications**.

Refrigeration compressors run at either a **fixed speed**, regulating the temperature by turning on and off as needed, or **variable speed**, adjusting their speed depending on the need for cooling in order to maintain the desired temperature.

The Commission's investigation

Following its in-depth market investigation, the Commission had concerns that the transaction as notified would have **reduced competition and resulted in higher prices and less choice** in the markets for:

- **Fixed speed refrigeration compressors for light commercial applications**, where Nidec and Embraco are the two leading players in Europe and worldwide. The transaction would have led to stronger market dominance at the European Economic Area (EEA) level and created dominance at the worldwide level.
- **Variable speed refrigeration compressors for light commercial applications**, where Nidec and Embraco are the only two players active at both the European and worldwide level. Therefore, the transaction would have resulted in a monopoly.
- **Variable speed refrigeration compressors for household applications**, where Embraco is the leading global player and the acquisition of Nidec would have led to the **strengthening of Embraco's dominant position in**

the EEA and to a significant reduction of competition at the worldwide level. The Commission found that:

- o Nidec and Embraco were close competitors. This competition was likely to intensify in the future, due to Nidec's plans to improve its portfolio of variable speed refrigeration compressors for household applications.
- o The Commission found that demand for variable speed refrigeration compressors for household applications is **set to increase significantly**, as appliance manufacturers seek to produce refrigerators that are more energy efficient and environmentally friendly. In the coming years, there is **limited entry expected of new market participants in the EEA** market, including from China.

The Commission **did not find competition concerns** regarding fixed speed refrigeration compressors for household applications, where Nidec and Embraco's combined market position is more limited, and there are many more competitors active.

The proposed remedies

Nidec decided to address the Commission's competition concerns by proposing a set of commitments. In particular:

- Nidec offered to **divest its refrigeration compressor business for both household and light commercial applications**. This includes plants in Austria, Slovakia and China and removes the entire overlap between Nidec and Embraco in the markets where the Commission had identified competition concerns.
- Nidec also committed to **make available to the purchaser of the divestment business significant funding for future investments in the facilities**. This funding is dedicated to investments in production lines in Nidec's plants in Austria and Slovakia. The amount made available is equal to the capital expenditure that Nidec would have committed to the two plants without the transaction. The Commission considers that this will ensure the future viability and competitiveness of the Austrian and Slovak plants.

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

Companies and products

Nidec, based in Japan, is active in the engineering, manufacture, and distribution of a range of electric motors and motor application products. Since its acquisition of Secop GmbH in 2017, Nidec also manufactures and sells compressors for use in refrigeration appliances. Nidec manufactures

refrigeration compressors in Austria, Slovakia and China.

Embraco, based in Brazil, is active in the manufacture and sale of refrigeration compressors for refrigeration appliances. Embraco manufactures compressors in Slovakia, Brazil, Mexico and China. Embraco is owned and controlled by Whirlpool, a U.S. company that manufactures a full line of home appliances and related products, including refrigeration appliances.

Household refrigeration compressors are used in refrigeration appliances for household use, such as kitchen refrigerators and freezers.

Light commercial refrigeration compressors are used, amongst others, in the retail and restaurant/catering industries, for example in beverage coolers, ice-cream cabinets, commercial refrigerators and freezers, and refrigerated display cabinets.

Merger control rules and procedures

The transaction was notified to the Commission on 8 October 2018 and the Commission opened an [in-depth investigation](#) on 28 November 2018. As the parties submitted appropriate remedies early during the in-depth investigation, the Commission did not issue a Statement of Objections in this case.

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 four on-going phase II merger investigations: the proposed acquisition of [Innogy by E.ON](#), the proposed acquisition by [Vodafone of Liberty Global's business](#) in Czechia, Germany, Hungary and Romania, the proposed creation of a joint venture by [Tata Steel and ThyssenKrupp](#), and the proposed acquisition of [Aleris by Novelis](#).

More information will be available on the Commission's competition [website](#), in the public [case register](#) under the case number [M.8947](#).