EUROPEAN COMMISSION

Brussels, 15.12.2023
C(2023) 9129 final

PUBLIC VERSION

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus […]. Where possible the information omitted has been replaced by ranges of figures or a general description.

Carrier Global Corporation
13995 Pasteur Boulevard, Palm Beach Gardens
33418 Florida
United States of America

Subject: **Case M.11160 – CARRIER / VIESSMANN CLIMATE SOLUTIONS**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 13 November 2023, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Carrier Global Corporation ('Carrier' or the 'Notifying Party', United States) would acquire within the meaning of Article 3(1)(b) of the Merger Regulation sole control of Viessmann Climate Solutions SE (the 'Target' or 'Viessmann', Germany) (the 'Transaction'), currently controlled by Viessmann Group GmbH & Co. KG ('the Seller', Germany). The Transaction will be carried out by way of purchase of shares. Carrier and the Target together are designated hereinafter as the 'Parties' or the 'Combined Entity'.

[1] OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation'). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ('TFEU') has introduced certain changes, such as the replacement of 'Community' by 'Union' and 'common market' by 'internal market'. The terminology of the TFEU will be used throughout this decision.

[2] OJ L 1, 3.1.1994, p. 3 (the 'EEA Agreement').

1. THE PARTIES

(2) Carrier is headquartered in the United States and is active in the manufacture and distribution of heating, ventilation, air conditioning, refrigeration and fire and security solutions in more than 160 countries.

(3) The Target is active in the development and production of products, systems and components for heating, cooling and climate control of all kinds of buildings, focusing on sustainable climate and renewable energy solutions.

2. THE OPERATION

(4) Carrier and the Seller entered into a share purchase agreement on 25 April 2023 (the 'SPA'). Under the terms of the SPA, Carrier will, via a special purpose vehicle, acquire 100% of the shares and voting rights in the Target.[3] It follows that Transaction is a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

(5) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 5 000 million (2022: […] for Carrier and […] for the Target)[4]. Each of them has a EU-wide turnover in excess of EUR 250 million (2022: […] for Carrier and […] for the Target), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State. The notified operation therefore has a Union dimension.

4. OVERVIEW OF THE PARTIES' ACTIVITIES

(6) Both Parties are active in the manufacture and supply of certain products for heating and/or cooling applications. These activities of the Parties give rise to horizontal, vertical, and conglomerate links.[5]

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3 In particular, the Acquirer will pay circa 80% of the total purchase price in cash and the remaining circa 20% (i.e., approximately EUR 2.4 billon) in newly issued common shares of Carrier (referred to as the 'Share Consideration Transaction'). As a result of the Share Consideration Transaction, the Seller (which is ultimately owned by the Viessmann family) will acquire a non-controlling stake of approximately 6% – 7% of the equity and voting rights in Carrier (depending on Carrier's share price at the relevant time).

4 Turnover calculated in accordance with Article 5 of the Merger Regulation.

5 The Transaction does not give rise to conglomerate effects. While certain customers purchase both heat pumps and boilers, Carrier would not have the ability to leverage a strong market position in one market to sell products in another through bundled selling or other exclusionary practices. As further discussed in this decision, the Combined Entity would not have sufficient market power on the heat pump or boiler markets. Further, many of the Parties' competitors are also active in both heat pumps and boilers and could therefore also offer bundled products. This is confirmed by the results of the market investigation, which show that multiple competitors consider themselves to be able to supply the same combination of heat pumps and boilers as the Combined Entity, and that the majority of customers expect other suppliers to supply the same combination of products as the Combined Entity (Questionnaire Q1 to boiler competitors, question G.9 and Questionnaire Q2 to boiler customers, question F.9).

(7) Specifically, horizontally affected markets arise with respect to the manufacture and supply of heat pumps, and the manufacture and supply of boilers.[6] Vertical links arise due to Carrier's manufacture and merchant market supply of residential and commercial/industrial burners, which are an input for residential and commercial/industrial boilers (which both Parties manufacture and supply downstream).

(8) Viessmann manufactures its own residential burners that it incorporates in its residential boilers, but sources from third parties commercial/industrial burners that it incorporates in its commercial/industrial boilers.[7] The Transaction therefore only leads to a vertical link between the upstream market for manufacture and supply of commercial/industrial burners and the downstream market for manufacture and supply of commercial/industrial boilers.

5. OVERVIEW OF THE INDUSTRY AND MARKET TRENDS

(9) Heating and cooling of buildings relies on a variety of technologies depending on the requirements such as the size and insulation of the space, climate, budget and customers' personal preferences. These technologies mainly include heat pumps, boilers and other heating, ventilation and air conditioning ('HVAC') systems.

5.1. The heating industry has traditionally relied on fossil fuel based solutions

(10) Products used to heat buildings have traditionally relied to a very large extent on fossil fuel.

(11) In the EU, the building sector accounts for 40% of the energy consumption, and for 36% of the greenhouse gas emissions, with heating representing the largest share of energy consumed.[8]

(12) Energy for heating and cooling represents almost 50% of the EU's total gross final energy consumption.[9] Approximately 70% of this energy still comes from fossil fuels (mostly natural gas).[10]

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6 Aside of heat pumps and boilers, the Transaction gives rise to two further horizontally affected markets that do not fall into the markets for heat pumps or boilers as defined below, and which seem to pertain to a broader market segment encompassing other heating, ventilation and air conditioning (HVAC) systems. Specifically, these are the potential markets for the manufacture and supply of ducted air-to-air (A2A) heat pumps in the national markets of Poland and Slovakia, where the Parties would have a combined market share of [20-30]% and [20-30]% respectively. As the combined market share of the Parties is below 25% (which may in itself be considered indicative of the absence of competition concerns (paragraph 18 Horizontal Merger Guidelines)), and because no concerns were brought forward by market participants in relation to these potential markets during the market investigation, the Transaction does not give rise to serious doubts as to its compatibility with the internal market and the functioning of the EEA Agreement for the manufacture and supply of ducted A2A heat pumps in Poland and Slovakia.

7 Viessmann does not manufacture commercial/industrial burners and does not sell any type of burners to third parties.

8 See https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en (Website accessed on the 12.12.2023).

9 https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en (Website accessed on the 29.11.2023).

10 https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en (Website accessed on the 29.11.2023).

(13) Traditionally, heating was often achieved by means of boilers utilising fossil fuels.

5.2. The market is gradually shifting to sustainable heating and cooling solutions

(14) Heating and cooling equipment are viewed as a significant lever for the European industry to reduce its carbon footprint, in line with the objectives of the European Green Deal and related climate legislation.[11]

(15) This translates into various measures and actions to drive the needed shift to more heating and cooling equipment towards running on renewable energies.

(16) With respect to heating products, the following points are noteworthy in this respect.

(17) First, regulatory mandates are setting various ambitious targets for the installation of heating and cooling equipment running on sustainable energies.

(18) In line with the EU Green Deal goals, the Commission's REPowerEU plan aims at reducing fossil fuel imports, doubling the current deployment rate of heat pumps in buildings and speeding up deployment of large district heating and cooling network heat pumps. With 3 million heat pump units installed in 2022 alone, the objective is to install at least 10 million additional heat pumps by 2027.[12] By 2030, a total additional deployment of 30 million or more heat pumps as compared to 2020, most of them hydronic (including hybrids), is envisaged in the Green Deal Industrial Plan.[13] The Commission is due to publish its heat pump action plan by the end of 2023, to help the sector reach the REPowerEU target.

(19) Second, to support the roll out of the heating and cooling equipment running on sustainable energies and to achieve the various ambitious targets laid down in paragraph (18) above, new financing instruments are made available to support the roll-out of new heating and cooling equipment running on sustainable sources of energy, such as the ones mentioned in the following paragraph.

(20) The EU has set up the Innovation Fund,[14] one of the world's largest funding programmes for the deployment of net-zero and innovative technologies (approximately EUR 40 billion to invest from 2020-2030) under which heat pumps

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11 On 14 July 2021, the European Commission adopted a series of legislative proposals setting out how it intends to achieve climate neutrality in the Union by 2050, including the intermediate target of an at least 55% net reduction in greenhouse gas emissions by 2030. The package proposes to revise several pieces of Union climate legislation, including the Union ETS, Effort Sharing Regulation, transport and land use legislation, setting out in real terms the ways in which the Commission intends to reach Union climate targets under the European Green Deal. See: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en (Website accessed on the 30.11.2023).

12 Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, REPowerEU Plan COM/2022/230 final, p.6.

13 https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en (Website accessed on the 30.11.2023).

14 https://climate.ec.europa.eu/eu-action/eu-funding-climate-action/innovation-fund/what-innovation-fund_en (Website accessed on the 30.11.2023).

are one of the eligible cleantech manufacturing projects.[15] As of 2026, all EU countries will be able to benefit from the Social Climate Fund, a new EUR 86.7 billion EU Fund that will notably allow EU countries to support energy efficiency measures and the decarbonisation of heating and cooling in buildings, including the installation of heat pumps, for vulnerable households (in particular those in energy poverty) and micro-enterprises.[16]

(21) As can be seen from the internal Viessmann document captioned in Figure 1, several EU countries are setting up subsidy schemes in the form of direct subsidies or tax reductions to steer the transition to heating equipment running on sustainable sources of energy.

Figure 1 – Subsidy schemes for sustainable heating equipment in certain EU countries

[…]

Source: Form CO annex 6cc, p.99.

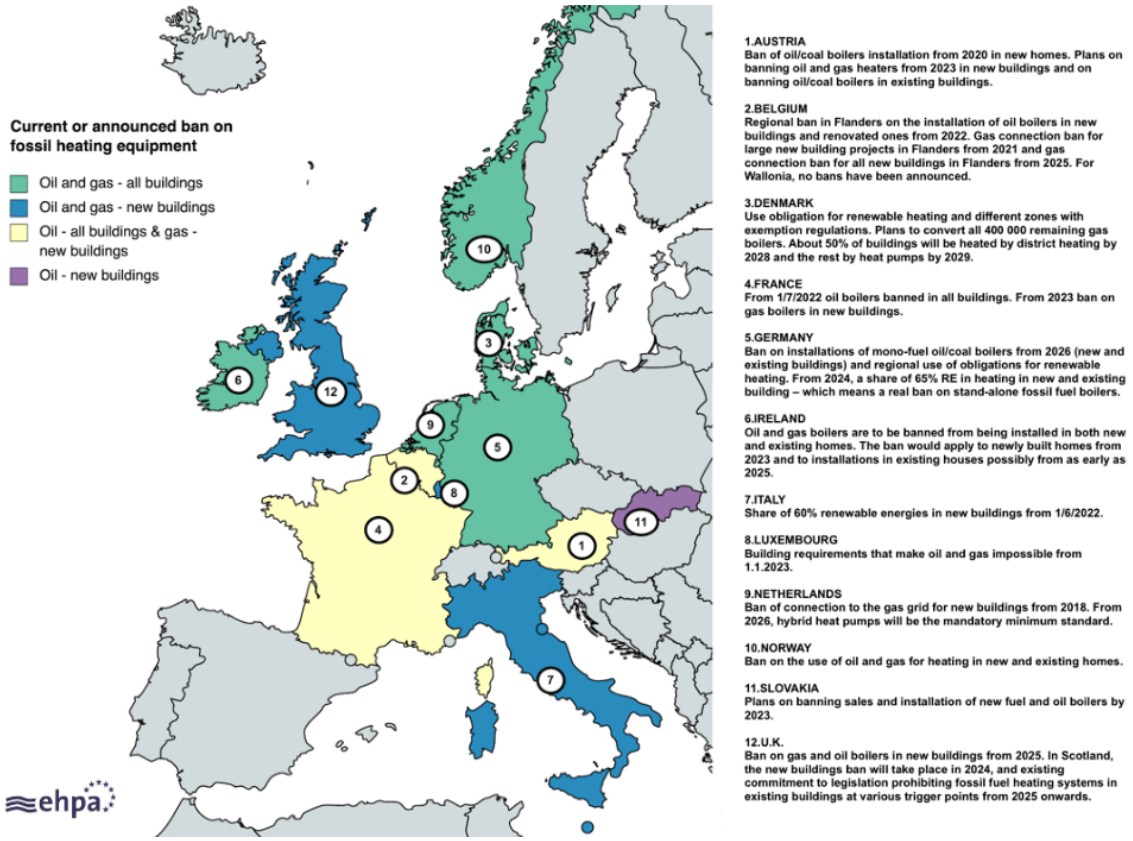
(22) Third, binding regulatory mandates to phase out heating systems based on fossil fuels, and additional measures aiming to phase out fossil fuel heating and cooling equipment are being adopted both at EU and national levels. These include for instance possible bans on stand-alone boilers by 2029 under eco-design rules.[17] Similarly, Member States are also imposing measures to help achieve lower emissions and phase out fossil fuel-backed heating / cooling solutions as can be seen from the caption in Figure 2 below.

15 https://ec.europa.eu/commission/presscorner/detail/en/qanda_23_5992 (Website accessed on the 30.11.2023).

16 https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en (Website accessed on the 30.11.2023).

17 https://energy.ec.europa.eu/topics/energy-efficiency/heat-pumps_en (Website accessed on the 30.11.2023).

Figure 2 - Overview of restrictions for fossil fuel heating in certain EEA Member States and the UK



Source: Form CO - Figure 3.

(23) In this context, it can be noted that boilers, whether for residential or commercial applications are expected to decline in sales in the coming years as shown in Carrier's internal documents captioned in Figure 3 and Figure 4 below. This is mainly because boilers are running to a significant extent on fossil fuels. While certain demand for fossil fuel-based boilers will remain, and some types of boilers running on sustainable sources of energy are being introduced into the market, there is a general trend of introducing heat pumps instead of boilers for heating purposes.

Figure 3 – Carrier's estimation of the evolution in various segments of commercial boilers

[…]

Source: Form CO, Annex 37, p.3.

(24) Therefore, the volumes of heat pumps to be installed are expected to significantly increase, as can be seen from Carrier's estimate in the internal document captioned in Figure 4 below.

Figure 4 – Carrier's estimation of the evolution of the residential heating market

[…]

Source: Form CO, Annex 66a, p.4.

(25) Fourth, rising energy costs in recent years have also contributed to the shift away from fossil fuel-powered heating and cooling solutions in Europe.

(26) Fifth, suppliers of heating and cooling products are increasingly focusing on supplying sustainable solutions. For example, with respect to boilers, various competitors indicated during the market investigation that they currently supply or are developing boilers that can run on hydrogen.

(27) Furthermore, the heat pump market in Europe has seen the entry of new suppliers over recent years. Heat pumps in themselves can be considered a more sustainable means of heating: '[H]*eat pumps rely on electricity to collect and redistribute heat from natural sources (e.g. air, water, soil) instead of burning fossil fuels, meaning they do not emit as many carbon emissions as fossil fuel heating solutions and can function entirely on input from decarbonised and renewable sources. Furthermore, heat pumps do not require as much electricity to operate compared to other electric heating / cooling solutions*'.[18]

6. MARKET DEFINITION[19]

6.1. Manufacture and supply of heat pumps

6.1.1. Relevant product market

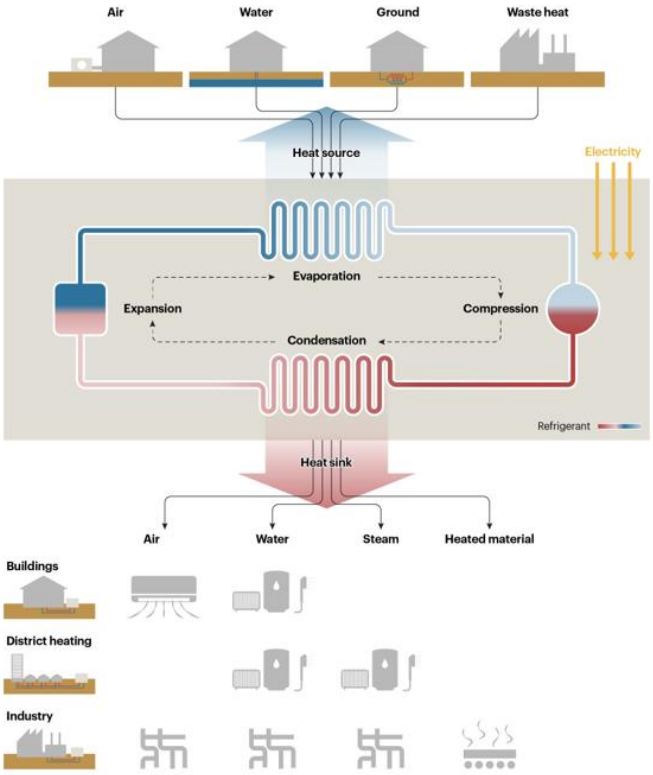
(28) Heat pumps transfer already existing heat from one environment (e.g. air, the ground, water or waste heat from industrial processes) into a building, normally using electricity. Heat pumps can be used in residential, light commercial, commercial and industrial applications.

(29) More specifically, heat pumps collect heat from different sources such as air, water, soil, waste and distribute it in different forms such as air, water, steam, and heating material, as illustrated in Figure 5 below.

[18] Form CO, paragraph 83.

[19] Throughout this decision, when the Commission refers to the (number of) respondents in relation to a given question of the market investigation, this excludes all respondents that have not provided an answer to that question or replied '*I do not know*', unless stated otherwise. For example, '*a majority of respondents*' means a majority of respondents having replied to a given question and not having ticked '*I do not know*'.

Figure 5 – Illustration of how a heat pump works



Source: Form CO[20]

(30) In residential and light commercial applications, heat pump output mediums are typically air and water, whereby the heat is delivered using either air or via hydronic (water based) systems. In commercial or industrial applications, heat pumps can be used to deliver warm air, hot water or steam, or to directly heat materials.[21]

(31) Heat pumps typically consist of the following input source and output medium pairings:

i. Air-to-air ('A2A')

ii. Air-to-water ('A2W')

iii. Ground or water-to-water ('G/W2W') or, for commercial applications mainly, ground or water or waste-to-water ('G/W/W2W').

(32) Across the EEA, the Parties provide the following heat pumps: A2A, A2W and G/W/W2W heat pumps. The Parties are not active in heat pumps which are used to provide steam or to directly heat materials.[22]

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20 Form CO, Figure 1, '*Illustration of how a heat pump works'*, and '*The Future of Heat Pumps*', International Energy Agency ('IEA') (December 2022), page 19, available at https://iea.blob.core.windows.net/assets/4713780dc0ae46868c9b29e782452695/TheFutureofHeatPumps.pdf, (Website accessed on 10 May 2023).

21 Form CO, paragraphs 89 and 90.

22 Form CO, paragraphs 91 and 164.

(33) Air sourced heat pumps (i.e. A2A and A2W) are in general easier to install and serve the purpose of heating, but also cooling a dwelling. Water and ground source heat pumps require the end-customer to be located in a specific area which permits for these sources to be used, as both types of heat pumps require pipework to be either buried under ground or submerged into water. Further, waste source heat pumps are usually requiring proximity to a factory. In terms of output mediums, as the Parties are not active in steam nor heating materials, this decision focuses on air and water output. Heat pumps which generate water are in general used for heating and provision of sanitary hot water. Heat pumps which generate air are in general used for cooling purposes.[23]

6.1.1.1. Commission's past decisions

(34) The Commission has previously considered a potential market for heat-generating systems, potentially segmented between heat pumps, direct electricity heating and other heat-generating systems using electricity. [24] The Commission has so far not examined a further segmentation of the heat pumps market.

6.1.1.2. Notifying Party's view

(35) While proposing to leave the market definition open, the Notifying Party argues for an overall product market for heat pumps, separate from other heating or cooling solutions, such as direct electricity heating and other heat-generating systems using electricity. The Notifying Party also acknowledges that a further segmentation of the market for heat pumps can be considered based on the following features:

i. Application of a heat pump. Heat pumps can be used for residential/light commercial and commercial/industrial applications. The appropriate type of heat pump can depend on capacity output needs. In general, heat pumps for residential/light commercial applications require a lower capacity output (usually below 20kW) than heat pumps for commercial/industrial applications.

ii. Input source and desired output medium. The main input sources to generate heat used in heat pumps are air, ground, water, and waste. In respect to the different heat pump output medium, there are four main ways in which the heat generated by a heat pump can be distributed namely via air, water, steam or used to directly heat a material.[25]

6.1.1.3. Commission's assessment

(36) The results of the market investigation support a further segmentation of the market for heat pumps based on several factors such as (i) application into residential/light commercial and commercial/industrial and (ii) input source and output medium, and (iii) other factors such as structure and architecture.[26]

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23 Form CO, paragraphs 87 to 93.

24 Commission Decision of 3 June 2021 in Case No COMP M/10181 – *Entega / Viessmann / EMS / EPS*.

25 Form CO, paragraphs 87 and 88.

26 Questionnaire Q1 to heat pump competitors, question C.A.1 and Questionnaire Q2 to heat pump customers, question C.A.1.

6.1.1.3.1. Distinction based on application (residential/light commercial and commercial/industrial heat pumps)

(37) For the following reasons the Commission considers that the results of the market investigation in general support the view that a distinction based on application for the heat pumps market is warranted and therefore residential/light commercial and commercial/industrial heat pumps could be considered as belonging to different product markets.

(38) First, heat pumps are used for two main applications, namely for residential/light commercial and for commercial/industrial. Depending on the scope of application, heat pumps present different characteristics. For instance, for residential/light commercial purposes, heat pumps are smaller in size and require less capacity power than commercial/industrial heat pumps. Moreover, heat pumps for commercial/industrial application are usually customised to respond to the end-customer's requirements. On the contrary, residential/light commercial heat pumps are mainly made to stock.[27] This is also reflected by the different routes to market used in the supply of heat pumps across the EEA. For residential/light commercial heat pumps, the main route to market adopted by most suppliers is by selling via distributors. The main route to market for commercial/industrial heat pumps is by selling directly to end-customers.[28]

(39) Second, internal documents of the Parties indicate that conditions of competition for different heat pump applications differ.[29]

(40) Third, the results of the market investigation confirm that heat pumps for residential/light commercial and for commercial/industrial applications generally differ in terms of features, area to be covered and route-to-market and therefore warrant a separate assessment.[30]

(41) In that respect, one customer explains that *'[w]ith respect to heat pumps in the EEA we consider 2 relevant segments, the domestic market and the commercial market*',[31] while one other customer submits that '*[s]ometimes the space determines which heat pump type it is possible to install*.'[32]

(42) In line with the customers' view, the majority of competitors also suggested that a further segmentation of the market for heat pumps into residential/light commercial and commercial/industrial would be warranted.[33] In this context, one competitor explains '*[t]here is however a big difference between heavier commercial heat pumps and residential heat pumps. The technology of heavy commercial heat pumps is different, and the go-to- market approach is a different one*.'[34] Further,

27 Form CO, paragraphs 137 and 144. Made to stock products are standard products which are normally not customised at the request of end customers.

28 Form CO, paragraphs 135 and 144.

29 The Parties' internal documents responsive to Section 5.4. of the Form CO, submitted as Annex 0066bb and Annex 006x.

30 Questionnaire Q1 to heat pump competitors, question C.A.1 and Questionnaire Q2 to heat pump customers, question C.A.1.

31 Questionnaire Q2 to heat pump customers, question C.A.1.

32 Questionnaire Q2 to heat pump customers, question C.A.6.

33 Questionnaire Q1 to heat pump competitors, question C.A.1.

34 Minutes of a call with a competitor of 21 August 2023, paragraph 12.

one other competitor submits that '*[…] suppliers in the commercial space need different capabilities due to the need for customized and single solutions especially for heavy commercial heat pumps whereas the residential segment is more standardized'.*[35]

(43) Industry reports, such as those produced by BRG Building Solutions ('BRG')[36] consider 20kW as the appropriate threshold in terms of capacity to distinguish between residential/light commercial and commercial/industrial heat pumps. The Notifying Party agrees with the delineation indicated in the BRG reports and therefore, for the purpose of the competitive assessment submitted market share data using 20kW cut-off between residential/light commercial and commercial/industrial heat pumps.[37]

(44) Further, the Notifying Party's view that the residential segment for heat pumps should include both residential and light commercial heat pumps[38] is supported by the results of the market investigation. In that respect, one competitor explains that '[*h]eat pumps for residential and for light-commercial applications tend to be rather similar, also from the technological perspective. If a customer requires a high output (e.g. for a light-commercial application), to an extent there is the possibility of cascading multiple heat pump units. Therefore, residential and light-commercial heat pumps are to be considered to more or less belong to the same market.*'[39] One other competitor submits that '*[h]eat output below of 25kW will cover the heat demand of the residential buildings'.*[40] One other competitor submitted that a differentiation between residential and light commercial heat pumps would not be warranted considering that '[*the Company] […] can install its products in cascade and serve its residential customers in need of larger output'.*[41]

(45) Finally, evidence in the Commission's file indicate that a further segmentation within the commercial segment between commercial and industrial heat pumps is not warranted. First, the Parties do not distinguish in their product portfolio between commercial and industrial heat pumps.[42] This is also confirmed by the Parties' internal documents.[43] Second, both commercial and industrial heat pumps are tailor made products and thus delivered directly to end-customers.[44] Further, the

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35 Minutes of a call with a competitor on 24 August 2023, paragraph 3.

36 Market data collected by BRG is considered by market participants to be generally reliable and to provide an accurate reflection of relative competitive positions. In instances where the sales figures of the Parties recorded by BRG diverged from the Parties' actual sales figures, the Parties have adjusted this in the BRG-based market share estimates submitted to the Commission.

37 The results of the market investigation indicate that residential/light commercial heat pumps would have a capacity below 25kW while commercial/industrial heat pumps would have a capacity above 25kW. In any case, the Parties have confirmed in their response to RFI 11, question 4, that, to the best of their knowledge, they do not expect that their market shares would deviate significantly if a cut-off of 25kW would be considered.

38 Form CO, paragraph 265.

39 Minutes of a call with a competitor on 21 August, paragraph 11.

40 Questionnaire Q1 to competitors, question C.A.3.

41 Minutes of a call with a competitor on 24 August 2023, paragraph 11.

42 Carrier's website, source: https://www.carrier.com/commercial/en/eu/products/heating-air-conditioning/air-to-water-heat-pumps/30rq--30rqp/, (Website accessed on 4 December 2023). Viessmann's website, source : https://www.viessmann.de/de/wissen/technik-und-systeme/waermepumpe.html, (Website accessed on 4 December 2023).

43 The Parties' internal documents responsive to Section 5.4. of the Form CO, submitted as Annex 006x.

44 Form CO, paragraph 273.

results of the market investigation do not provide a clear indication that such segmentation would be warranted, as market participants consider residential and commercial market segments as the main segments of the heat pumps market; they did not provide any indication that a further segmentation between commercial and industrial heat pumps would be appropriate.[45]

6.1.1.3.2. Distinction based on type (source and output mediums)

(46) As mentioned above in Section 6.1.1, heat pumps collect heat from different sources such as, air, water, soil, waste and distribute it in different output mediums such as air, water, steam, and heating material. The most common heat pump pairings in terms of source and output mediums are A2A, A2W and G/W/W2W, the latter in particular for commercial/industrial applications. As the Parties are not active in steam nor heating materials, this decision focuses on air and water output.

(47) For the following reasons the Commission considers that the results of the market investigation in general support the view that certain distinctions between different types of heat pumps in respect to source and output medium exist, that could support the consideration they belong to different product markets. For instance, A2A heat pumps present different features in comparison to A2W heat pumps. The same applies when comparing A2W with G/W/W2W heat pumps.

(48) First, internal documents of the Parties produced in the ordinary course of business indicate that conditions of competition for different heat pump pairing are assessed separately.[46]

(49) Second, the majority of the customers consider that separate market segments based on source and output medium are warranted, due to their different features and different needs these serve.[47] In addition, the majority of competitors consider that switching production between different types of heat pumps based on output and output mediums is difficult.[48] As one competitor explains '*input source is a good starting point to differentiate the various offers in the market.*'[49] Further, one other competitors submits that '*[o]ur production lines are quite flexible and let us change production from one product to another but always in the same type (i.e. cannot change from A2W to W2W)*'.[50] However, the market investigation suggests that A2A and A2W heat pumps are part of the product portfolio of most of heat pump suppliers, while G/W/W2W heat pumps are part of the product portfolio of only some heat pump suppliers.[51]

(50) Further, the results of the market investigation are not clear in respect to whether A2A heat pumps should be considered part of the product market for heat pumps or part of the market for other heating, ventilation and air conditioning systems. The Notifying Party argues for the latter, as A2A heat pumps are used to condition air

45 Questionnaire Q1 to competitors, question C.A.1 and Questionnaire Q2 to customers, question C.A.1.
46 The Parties' internal documents responsive to Section 5.4. of the Form CO, submitted as Annex 006x.
47 Questionnaire Q2 to customers, question A.1.
48 Questionnaire Q1 to competitors, questions C.A.5. and C.A.6.
49 Minutes of a call with a competitor on 24 August 2023, paragraph 8.
50 Questionnaire Q1 to competitors, question C.A.6.
51 Questionnaire Q1 to competitors, questions C.A.9 and C.A.10.

(air conditioners) and do not provide heated water as output.[52] As one competitor explains: '*A2A heat pumps are used as a primary heating generator (e.g. weekend houses, or regions where winters are short), in which case the customer would also need a separate device for domestic hot water supply.*' [53] One other competitor submits: *A2A heat pumps are actually rather a type of air-conditioner, but have a higher heating capacity as a traditional air-conditioner. […] [the company] mostly classifies its A2A heat pumps as air conditioners*].[54] In any case, for the purpose of this decision, the question as to whether A2A heat pumps are part of the heat pump market can be left open. The plausible product market for A2A heat pumps is discussed above under Section 4.[55]

(51) Finally, the market investigation suggests that G/W/W2W are all likely part of the same product market, as the pipework is similar and distribute the same output. One competitor explains '*With respect to heat input sources other than air (e.g. ground or water for G2W or W2W heat pumps), it is likely appropriate to group these together as while the input source is different, the output is the same. […] For instance, ground source heat pumps extract the heat from ground/soil, W2W heat pumps take the heat from other liquid source. Many OEMs do NOT distinguish between W2W & G2W heat pumps as the principles are very similar*.'[56] Furthermore, the majority of heat pump suppliers produce G/W/W/2W heat pumps on multipurpose production lines.[57]

6.1.1.3.3. Distinction based on other parameters[58]

(52) Some respondents to the market investigation suggested that the market for the manufacture and supply of heats pumps could be segmented based on their (i) architecture (i.e. monobloc and split heat pumps),[59] and (ii) structure (i.e. wall mounted and floor-standing heat pumps). While the results of the market investigation indicate that the vast majority of heat pump suppliers do manufacture monobloc, split, wall mounted and floor-standing heat pumps,[60] some competitors indicated that it could be difficult to switch production between these different types of heat pumps.[61]

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52 Form CO, paragraph 97.

53 Minutes of a call with a competitor on 24 August 2023, paragraph 13.

54 Minutes of a call with a competitor on 21 August 2023, paragraph 9.

55 The lack of competition concerns in respect to the affected markets for ducted A2A heat pumps in Poland and Slovakia has been discussed under Section 4, footnote 6. Further, even if A2A heat pumps would be considered as part of the overall heat pumps market, the Parties' market shares would decrease. To illustrate, in Croatia, the Parties market shares on the market for residential/light commercial heat pumps excluding A2A heat pumps amounts to [20-30]%. If the market for residential/light commercial heat pumps would include A2A heat pumps, the Parties' combined market shares would amount to [10-20]%.

56 Minutes of a call with a competitor on 21 August 2023, paragraph 15.

57 Questionnaire Q1 to competitors, question C.A.7.

58 Considering the characteristics of commercial/industrial heat pumps, in particular their size, certain further segmentations such as based on structure (wall-mounted and floor-standing) and architecture (monobloc and split) are not plausible. To illustrate, commercial/industrial eat pumps cannot be mounted on the wall due to their size.

59 In respect to a further segmentation into ducted and unducted, based on the features of a heat pumps, it seems that a further segmentation is mostly relevant in respect to A2A heat pumps, which will be assessed as part of other HVAC systems.

60 Questionnaire Q2 to customers, questions C.A.9.

61 Questionnaire Q1 to competitors, question C.A.6.

(53) In any event, for the purposes of assessing the Transaction the exact scope of the product market definition can be left open since the Transaction does not give rise to serious doubts as to its compatibility with the internal market under any of the two above-mentioned market segmentations (i.e. segmentation based on the architecture and structure of heat pumps).

6.1.1.3.4. Conclusion

(54) For the purposes of assessing the Transaction, the exact scope of the product market definition can be left open, as the Transaction does not give rise to serious doubts under any of the alternative product market delineations considered above in this Section 6.1.1.3.

(55) The Commission will consider a further segmentation of the product market for heat pumps based on (i) application into residential/light commercial and commercial/industrial, (ii) type of heat pumps; (iii) structure of heat pumps, and (iv) architecture of heat pumps.

6.1.2. Relevant geographic market

6.1.2.1. Commission's past decisions

(56) In its past decision, the results of the Commission's market investigation pointed towards national markets for heat pumps, considering that sales strategies and pricing decisions were mostly country specific.[62] Ultimately, the Commission left the geographic market definition open between EEA-wide and national markets.

6.1.2.2. Notifying Party's view

(57) The Notifying Party argues that the market should be at least EEA-wide based on recent market developments which suggest that sales strategies and pricing decisions would now be determined on a broader-than-national basis.

6.1.2.3. Commission's assessment

(58) The outcome of the market investigation indicates that the market for heat pumps is national in scope.

(59) First, the majority of competitors considers that the conditions of competition differ between EEA Member States.[63] As one competitor explains '*[…] the difference originates from factors such as the different required specifications, functions, environmental matters (e.g. low GWP refrigerant), price level, etc.*'[64] Further, the results of the market investigation indicate that not all competitors are active across all EEA Member States and regulatory differences between different EEA Member

62 Commission Decision of 3 June 2021 in Case No COMP M/10181 – *ENTEGA / VIESSMANN / EMS / EPS*.

63 Questionnaire Q1 to competitors, questions C.B.2, C.B.6 and C.B.8

64 Questionnaire Q1 to competitors, question C.B.9.

States have an important impact on their ability to supply heat pumps across the EEA.[65]

(60) Second, the majority of competitors consider that access to local distributors, installers and/or own local sales is a prerequisite to successfully supply heat pumps in a given EEA Member State.[66]

(61) Finally, on the demand side, most customers tend to be active in only one country. The majority of customers seems to purchase their heat pump needs at national level and conclude supply agreements covering individual EEA Member States, with the price being determined at national level.[67] As one market participant explained '[*i]t's linked to local regulations, service support, etc'*.[68] The market investigation also revealed that customers have national preferences, in terms of quality, capacity and technology used, when sourcing heat pumps.[69]

6.1.2.4. Conclusion

(62) For the purpose of this decision, the exact geographic market definition for the market for heat pumps can be left open since no competition concerns arise as a result of the Transaction under all plausible geographic market definitions (i.e. national or EEA).

6.2. Manufacture and supply of boilers

6.2.1. Product market

(63) Boilers are used to generate hot water or steam for a variety of applications.[70] The underlying sources of heat include fossil fuels (oil, gas), but also renewable energy sources (e.g. biomass or hydrogen) or electricity.

6.2.1.1. Commission's past decisions

(64) In previous decisions, the Commission considered that boilers constitute a separate market, which could be further segmented based on a number of different parameters: (i) end-use/application (domestic vs commercial); (ii) fuel (e.g., gas boilers, oil boilers, dual fuel boilers); (iii) performance categories (capacity ranges); (iv) pressure/temperature (low, high); (v) mounting place (wall hung, floor standing), (vi) technology (condensing, non-condensing); and (vii) type (conventional heating, combination).[71] The Commission however left the exact market definition open.

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65 Questionnaire Q1 to competitors, questions C.B.10 and C.B.15, and Questionnaire Q2 to customers, question C.B.9.

66 Questionnaire Q2 to competitors, Question C.B.20.

67 Questionnaire Q2 to customers, questions C.B.2, C.B.4 and C.B.6.

68 Questionnaire Q2 to customers, question C.B.3.

69 Questionnaire Q1 to competitors, question C.B.13.

70 Carrier is not active in steam boilers, the overlap between the Parties therefore relates to hot water boilers.

71 Commission Decision of 21 October 2009 in Case No COMP/M.5573 – *Remeha Group / Baxi Holdings*, and Commission Decision of 16 July 2009 in Case No COMP/M.5489 – *Bosch Thermotechnik / Loo*.

6.2.1.2. Notifying Party's view

(65) The Notifying Party considers that, in line with the Commission's precedents, the market for boilers could be further segmented based on boilers' end-use (*i.e.* residential vs commercial/industrial boilers). Specifically, the Notifying Party explains that '*[p]roviding heating in residential applications generally requires boilers of a lower power compared to commercial / industrial applications*' and that '[b]*oilers used in these different applications are not interchangeable from either the supply or the demand side*'.[72] Further, the Notifying Party submits that a distinction between residential and light commercial boilers would not be appropriate, as these types of boilers often have similar characteristics and face similar demand.[73]

(66) However, the Notifying Party also explains that there is no accepted industry-wide view as to the capacity threshold that should be used to distinguish residential/light commercial from commercial/industrial boilers. Indeed, different capacity thresholds have been historically applied in different EEA Member States.[74] Further, there is no '*clear distinction between where commercial boiler capacities end and where industrial boiler capacities begin*'.[75] Rather, individual competitors consider the market based on the capacity ranges for which they supply boilers.

(67) The Notifying Party does not consider other segmentations to be appropriate.

(68) First, concerning a potential segmentation by *pressure/temperature*, the Notifying Party notes that neither Carrier nor Viessmann consider their boiler portfolios based on pressure. Given that Carrier is not active in steam boilers and as residential hot water boilers are able to withstand a pressure of up to 3 bar and commercial/industrial boilers provide an operating pressure of up to 6 bar, segmenting the market by the ability of a boiler to withstand less or more than 10 bar would result in a combined assessment of residential and commercial/industrial hot water boilers.[76]

(69) Second, concerning a potential segmentation by *fuel type*, the Notifying Party considers a distinction between oil and gas boilers as outdated. This is in part due to the ongoing shift towards more sustainable heating solutions. Further, such a distinction is not relevant as the prevalent fuel type is gas (this is even more so the case as oil-fuelled boilers are increasingly phased out due to regulatory requirements). In any case, both Parties as well as their main competitors offer both oil-fuelled and gas-fuelled boilers.[77]

(70) Third, concerning a potential segmentation between *condensing and non-condensing boilers*, the Notifying Party notes that there is strong supply-side substitutability. Further, non-condensing boilers have progressively been banned across a number of EEA Member states, due to their low efficiency. This market is

72 Form CO, paragraph 328.
73 Form CO, paragraphs 329-330.
74 Form CO, paragraphs 329-334.
75 Form CO, paragraphs 329-338.
76 Form CO, paragraphs 343-347.
77 Form CO, paragraphs 351-356.

therefore a '*sunset market and of decreasing relevance for the EEA*', according to the Notifying Party.[78]

(71) Fourth, the Notifying Party also considers a potential segmentation by type (i.e. between conventional heating-only boilers and combination boilers used in both hot water and heating applications) as not appropriate. This is mainly because there is significant overlap between the producers of both types of boilers (and as the manufacturing techniques are very similar). In any case the Notifying Party notes that '*the vast majority of boilers currently consist of combination boilers for heating and domestic hot water applications*'.[79]

(72) Fifth, the Notifying Party also considers that a segmentation between wall hung and floor standing boilers is not appropriate. The Parties' main competitors offer both wall hung and floor standing boilers, which fulfil the same function, use the same type of fuels and same external infrastructure. In any case, floor standing boilers for residential applications are a declining segment and of decreasing relevance in the EEA.[80]

(73) Finally, with respect to boilers fuelled by input sources other than oil or natural gas, it can be note that the Parties do not currently sell hydrogen or hydrogen ready boilers. Further, given '*that hydrogen-ready boilers are nascent products in the EEA, the Parties consider that analysing a hypothetical market for hydrogen-ready boilers would not be appropriate at this stage. Further, gas boilers can be easily converted to boilers running on a natural gas / hydrogen mix, thus making hydrogen-fuelled boilers a product available for all customers*'.[81] In any case, considering hydrogen blend ready boilers, the Notifying Party considers '*the market shares for residential gas boilers to be a good proxy*'.[82] As regards biofuel boilers, while Carrier is active, Viessmann does not have any dedicated biofuel boilers in its portfolio. Conversely, while Viessmann is active in biomass boilers, Carrier is not. With respect to electric boilers, the Notifying Party notes that this technology is not widely used, and that in any case Carrier is not active in the supply of electric boilers in the EEA.[83]

6.2.1.3. Commission's assessment

(74) The Commission's market investigation shows that market participants generally consider the segmentations considered in the Commission's precedent decisions as relevant.[84]

6.2.1.3.1. Residential/light commercial and commercial/industrial boilers

(75) Market participants that expressed a view in the Commission's market investigation confirmed the relevance of a segmentation between boilers for residential/light

78 Form CO, paragraphs 358-364.
79 Form CO, paragraphs 365-367.
80 Form CO, paragraphs 368-372.
81 Form CO, paragraph 357.
82 Form CO, paragraph 788.
83 Form CO, paragraph 380.
84 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

commercial and for commercial/industrial applications based on their differences in terms of features and end-use.[85]

(76) In that respect, one customer explains: '*Competitiveness in these markets is different, as well as technical and environmental protection requirements. Therefore, they should be considered separately*'.[86] Another customer points to differences in usability: '*Residential boilers must be able to be used by an ordinary user. Commercial/industrial boilers are usually used by trained people*'.[87]

(77) A competitor states that differences between boilers '*relate* […] *mainly to residential and light commercial products being quite similar, but heavier commercial products being very different (and much larger)*'.[88] Another competitor submits that '[p]*ower, pressures and temperatures are limited for residential but of a wider range for commercial and industrial. Furthermore, functionality and service also have different needs and vary from country to country*'.[89] Another competitor submits that residential/light commercial and commercial/industrial boilers can be distinguished due to '*different distribution channels, different applications, different technologies*'.[90] Further, another competitor explains: '*Commercial/industrial boilers have higher output ranges and are used in some use cases not only for heating and delivering warm water for buildings. For commercial/industrial boilers there can be special use cases depending on the industry. The higher the output of a boiler, the more specific knowledge it requires from the installer. Furthermore, there is an industry standard for certain components which must be complied with. There is a clear distinction between residential and industrial, however, the lines get somewhat blurred when it comes to commercial / light commercial, which overlap with the high output areas of residential on one side and the lower output side of industrial on the other side*'.[91]

(78) Views appear to differ as to the question as to what the appropriate kW capacity cut-off is to distinguish the residential from the commercial boiler markets. Market participants that expressed a view as to the appropriate cut-off in the market investigation suggest this could be 25kW, 35kW or 70kW.[92] While one customer explains in this context that '[t]*he 35kW limit is necessary due to older buildings with worse insulation. The most typical is the output of up to 25kW*',[93] a competitor '*considers commercial boilers to be boilers with a capacity above 70kW. This is mainly driven by regulation, as one regulation applies for boilers above 70kW and another one for boilers below 70kW*'.[94]

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85 Questionnaire Q1 to boiler competitors, question D.A.5 and Questionnaire Q2 to boiler customers, question D.A.5.

86 Questionnaire Q2 to boiler customers, question D.A.6.

87 Questionnaire Q2 to boiler customers, question D.A.6.

88 Minutes of a call with a competitor of 21 August 2023, paragraph 16.

89 Questionnaire Q1 to boiler competitors, question D.A.6.

90 Questionnaire Q1 to boiler competitors, question D.A.6.

91 Questionnaire Q1 to boiler competitors, question D.A.6.

92 Questionnaire Q1 to boiler competitors, question D.A.1 and Questionnaire Q2 to boiler customers, question D.A.1.

93 Questionnaire Q2 to boiler customers, question D.A.2.

94 Minutes of a call with a competitor of 20 September 2023, paragraph 7.

(79) It has to be noted that BRG '*does not clearly segment between residential and commercial / industrial hot water boilers*'.[95] In particular, BRG applies different national thresholds (based on historically different heating needs) in different EEA Member States – e.g. in Belgium residential boilers are considered to have a capacity up to 70kW, in Italy only up to 35kW.[96] Ultimately the question as to what the appropriate capacity threshold is can be left open (as shown in the competitive assessment, no serious doubts arise on a potential market below 35kW).

(80) For the purpose of the assessment in this case, a threshold of 70kW will be considered to distinguish between residential/light commercial boilers and commercial/industrial boilers. In any case, as further discussed below, it is also appropriate to separately consider different capacity categories in both the residential/light commercial and the commercial/industrial boiler markets.

6.2.1.3.2. Capacity/power ranges

(81) The results of the Commission's market investigation suggest that in particular a segmentation of the boiler market based on different capacity/power output ranges (in kW) may be relevant. The distinction between residential/light commercial and commercial/industrial boilers as discussed above in itself also relies on a segmentation by capacity (with those boilers below 70kW falling into the residential/light commercial category).

(82) The large majority of customers and competitors expressing their view in the market investigation consider a distinction of the market based on output capacity as appropriate.[97]

(83) Further, the market investigation also confirms that not all boilers suppliers are active across the range of boilers of different capacity/power. The majority of competitors expressing their view in the market investigation submit that they are not supplying boilers of all different output capacities.[98] Similarly, customers expressing their view in the market investigation state that not all boilers suppliers supply the entire capacity range of boilers.[99] One customers explains in this context that '[t]*he design of high-performance boilers requires special knowledge*'.[100] Competitors submitting their view in the market investigation further explain that switching between producing boilers of different output capacities is technically difficult, and requires significant time and costs.[101]

(84) Therefore, in light of the capacity segments considered in the Commission precedent decisions, the feedback from market participants, and the data available in widely used industry reports, the following capacity segments will be considered in the competitive assessment:

(a) Residential / light commercial boilers: 0-69.9kW, 0-34.9kW, 35-69.9kW.

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95 Form CO, paragraph 563.

96 Form CO, paragraph 567.

97 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

98 Questionnaire Q1 to boiler competitors, question D.A.9.

99 Questionnaire Q2 to boiler customers, question D.A.9.

100 Questionnaire Q2 to boiler customers, question D.A.10.

101 Questionnaire Q1 to boiler competitors, question D.A.11.

(b) Commercial / industrial boilers: all above 70kW, 70-399.9kW, 400-999.9kW, 1000-19,999.9kW.

6.2.1.3.3. Fuel used

(85) Boilers may run on different types of fuel (traditionally mainly oil or natural gas). The market investigation results suggest that a distinction of boilers based on the type of fuel used may be appropriate. In particular, large majorities of customers and competitors expressing their views in the market investigation submit that the type of fuel input is a relevant parameter to delineate the boiler market.[102] While one competitor in this context explains that '*with regard to "fuel input" and "Technology" we do not see a market segmentation*',[103] most competitors submit that switching the production between boilers of different fuel inputs is somehow or very difficult.[104] Further, not all competitors appear to have all types of boilers using different fuel inputs in their portfolio.[105]

(86) Instead of fossil fuel sources, boilers are increasingly utilising sustainable sources of energy. In particular boilers running on sustainable sources of energy can utilise hydrogen, biofuel or biomass as fuel input. Different types of boilers utilising hydrogen exist – either a boiler runs exclusively on hydrogen, or can run on a blend of natural gas and hydrogen. Further, certain natural gas boilers are also 'hydrogen ready', i.e. they can be used with hydrogen in the future.

(87) The Parties do not yet sell hydrogen and hydrogen ready boilers, but only hydrogen blend ready boilers.[106] While Carrier supplies certain residential biofuel boilers, Viessmann does not supply dedicated biofuel boilers.[107] Conversely, while Viessmann is active in biomass boilers, Carrier is not.

6.2.1.3.4. Other parameters

(88) Other parameters by which the market for boilers may be delineated are structure, technology, pressure and type.

(89) With respect to structure, boilers can be either wall hung or floor standing. Most competitors responding to the market investigation submit that they supply both types of boilers[108] and the majority of customers expressing their views in the market investigation considers both types to be a regular part of suppliers'

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102 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

103 Questionnaire Q1 to boiler competitors, question D.A.4.

104 Questionnaire Q1 to boiler competitors, question D.A.11.

105 Questionnaire Q1 to boiler competitors, question D.A.9 and Questionnaire Q2 to boiler customers, question D.A.9.

106 On a potential market for hydrogen blend ready boilers, the Parties submit that the market shares for residential gas boilers are a good proxy. Therefore, no affected EEA wide market arises and at national level combined market shares would only exceed 20% in Bulgaria and Lithuania. As no market participants indicated a likely negative impact with respect to these types of boilers during the market investigation, they will not be further separately considered in the following.

107 Some of Viessmann's boilers for residential applications can use a blend of oil and biofuel. The Parties submit that Viessmann's market shares for residential oil boilers can serve as a proxy for its position in biofuel boilers.

108 Questionnaire Q1 to boiler competitors, question D.A.9.

portfolio.[109] Nevertheless, majorities of both competitors and customers expressing their views in the market investigation suggest that a delineation of the market based on structure/mounting place is appropriate.[110]

(90) With respect to technology, boilers can either be condensing or non-condensing (the latter having a lower efficiency due to the lack of a secondary heat exchanger). Most competitors responding to the market investigation submit that they supply both types of boilers[111] and the majority of customers expressing their views in the market investigation considers both types to be a regular part of suppliers' portfolio.[112] Nevertheless, majorities of both competitors and customers expressing their views in the market investigation suggest that a delineation of the market based on technology is appropriate.[113]

(91) With respect to pressure, boilers can be classified according to the maximum pressure (in bar) that they can withstand. Most competitors and customers expressing their views in the Commission's market investigation suggest that a delineation based on temperature and pressure (boilers with a temperature up to 110° Celsius and pressure up to 10 bar vs boilers that can achieve higher temperatures and pressures) may be appropriate.[114] In the EEA, Carrier is only active in boilers that can withstand up to 10 bar.[115] The Notifying Party submits no market data is available splitting the market at the 10 bar/110° Celsius threshold, and that the most appropriate proxy data for the segment in which the Parties overlap (below 10 bar) is the market data for all boilers or all residential boilers.[116] The market investigation has not revealed any specific concerns with respect to boilers of a specific pressure range. Therefore, in line with the arguments brought forward by the Notifying Party, the assessment for all boilers and for residential/light commercial boilers can be seen as representative for boilers with a maximum pressure below 10 bar.

(92) With respect to type, boilers can be classified as conventional heating-only boilers or combination boilers (that also provide hot water supply). Most competitors and customers expressing their views in the Commission's market investigation suggest that a delineation based on the type may be appropriate.[117] The Notifying Party explains that commercial/industrial boilers, in practice, are conventional boilers which provide heating only. Therefore, a separate assessment of combination and conventional boilers is only appropriate with respect to residential boilers.

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109 Questionnaire Q2 to boiler customers, question D.A.9.

110 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

111 Questionnaire Q1 to boiler competitors, question D.A.9.

112 Questionnaire Q2 to boiler customers, question D.A.9.

113 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

114 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

115 Notifying Party's response to RFI 8, Annex 12 – Updated version of Annex 67f.

116 Notifying Party's response to RFI 8, Annex 12 – Updated version of Annex 67f.

117 Questionnaire Q1 to boiler competitors, question D.A.3 and Questionnaire Q2 to boiler customers, question D.A.3.

6.2.1.3.5. Conclusion

(93) The exact product market definition for boilers can be left open, as the Transaction does not give rise to serious doubts under any of these alternative product market delineations.

(94) Indeed, the feedback received during the market investigation does not suggest that if any of the segmentations considered above were applied cumulatively, the competitive assessment (as discussed in Section 7.1.3.2) would change materially or competition concerns would arise.[118] Therefore, and in light of the above considerations in this Section 6.2.1.3, the Commission will consider the following plausible segmentations in the competitive assessment: all boilers, all residential / light commercial boilers (0-69.9kW), residential / light commercial boilers (0-34.9kW), residential / light commercial boilers (35-69.9kW), gas fuelled residential / light commercial boilers, oil fuelled residential / light commercial boilers, floor standing residential / light commercial boilers, wall hung residential / light commercial boilers, condensing residential / light commercial boilers, non-condensing residential / light commercial boilers, residential / light commercial combination boilers, residential / light commercial conventional boilers, all commercial / industrial boilers, commercial / industrial boilers (70-399.9kW), commercial / industrial boilers (400-999.9kW), commercial / industrial boilers (1000-19,999.9kW), gas fuelled commercial / industrial boilers, oil fuelled commercial / industrial boilers, floor standing commercial / industrial boilers, wall hung commercial / industrial boilers, commercial / industrial condensing boilers, and commercial / industrial non-condensing boilers.

6.2.2. Geographic market

6.2.2.1. Commission's past decisions

(95) In previous decisions,[119] the Commission left the exact geographic market definition with respect to boilers open. For residential and lower capacity boilers, the Commission found indications of a national dimension due to brand differentiation, the need for national marketing and for local maintenance services. With respect to boilers with a higher capacity or for commercial/industrial applications, an EEA-wide market was considered.

6.2.2.2. Notifying Party's view

(96) The Notifying Party is of the view that the market for all boiler categories should be considered as EEA-wide since all major suppliers are active across the EEA and technical standards are similar across the EEA.[120]

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118 In particular, the cumulative application of the segmentations considered above would lead to a great number of possible very narrow national markets with very small market sizes.

119 Commission Decision of 21 October 2009 in Case No COMP/M.5573 – *Remeha Group / Baxi Holdings*, and Commission Decision of 16 July 2009 in Case No COMP/M.5489 – *Bosch Thermotechnik / Loo*.

120 Form CO, paragraph 376.

6.2.2.3. Commission's assessment

(97) Most suppliers of boilers active in the EEA supply boilers across multiple EEA countries or the entire EEA.[121] However, in most cases suppliers depend on either a local sales presence or a local distributor or installer to make sales in any specific country.[122] In this context one supplier explains that it sells '[v]*ia dealers and distributors for all type of boilers*'.[123] Another supplier submits that it '*sell*[s] *predominantly via a 3-tier system, i.e. to wholesalers who then sell to installers and those then to end-customers*'.[124]

(98) The majority of customers responding to the market investigation indicate that they source boilers only in one EEA country and that the suppliers they source from (or the sales outlets of suppliers) are located at national level.[125] They further indicate that their contracts for the purchase of boilers cover individual countries instead of the entire EEA.[126]

(99) According to majorities of both competitors' and customers' responses to the market investigation, conditions of competition for the supply of boilers differ between EEA countries and not all suppliers are active throughout the entire EEA.[127] While one supplier in this context states that the '[b]*oiler market* [is] *an european market*',[128] and another one submits that there is '[n]*o real differentiation*',[129] a customer explains that '[s]*ome suppliers are not active in some countries*'.[130] Competitors explain that there are price differences for boilers between different EEA countries.[131] One competitor explains this by stating that '[p]*rices differ due to different specification and distribution channels*'.[132] Another competitor explains that this '[w]*ould vary based on local market and competitor dynamics, price sensitivuty* [sic] *of customers, etc.*'[133]

(100) Suppliers of boilers generally appear to face certain barriers to expansion into countries in which they currently are not yet active. In particular, access to a local installer/distribution network is considered to be a key factor for the successful supply of boilers in a given EEA member state.[134] Establishing such relationships with local installers or distributors is considered by suppliers responding to the market investigation to be a barrier to enter into the supply of boilers in a EEA member state.[135] A competitor explains that '[g]*enerally you need installers that are prepared to install and provide maintenance for your specific brand /*

121 Questionnaire Q1 to boiler competitors, question D.B.1.
122 Questionnaire Q1 to boiler competitors, question D.B.11.
123 Questionnaire Q1 to boiler competitors, question D.B.11.
124 Questionnaire Q1 to boiler competitors, question D.B.11.
125 Questionnaire Q2 to boiler customers, questions D.B.1 and D.B.2.
126 Questionnaire Q2 to boiler customers, question D.B.4.
127 Questionnaire Q1 to boiler competitors, question D.B.5 and Questionnaire Q2 to boiler customers, question D.B.8.
128 Questionnaire Q1 to boiler competitors, question D.B.6.
129 Questionnaire Q1 to boiler competitors, question D.B.6.
130 Questionnaire Q2 to boiler customers, question D.B.9.
131 Questionnaire Q1 to boiler competitors, question D.B.16.
132 Questionnaire Q1 to boiler competitors, question D.B.17.
133 Questionnaire Q1 to boiler competitors, question D.B.17.
134 Questionnaire Q1 to boiler competitors, question D.B.19.
135 Questionnaire Q1 to boiler competitors, question D.B.20.

models'.[136] A number of competitors responding to the market investigation appear to have been unable in certain instances in the past to sell boilers in certain countries, due to the lack of access to an installer or distributor.[137]

(101) If customers of boilers were faced with the need to select a new supplier of boilers, most suppliers would opt for a supplier active nationally or in their region (i.e. Northern Europe, Central Europe, etc.).[138] Therefore, while some suppliers are active across (almost) the entire EEA, the route to market and customers' choices appear to be subject to national considerations.

(102) The above discussed geographic market features appear to apply across the different types of boilers. The exact geographic market definition for boilers can in any case be left open, as the Transaction does not give rise to serious doubts under any of the alternative geographic market definitions, i.e. EEA-wide or national.

6.3. Manufacture and supply of burners

6.3.1. Product market

(103) In a boiler, the fuel (oil, gas, biomass) is burned in a burner (also sometimes called a combustion chamber), which generates heat.

6.3.1.1. Commission's past decisions

(104) The Commission has previously considered a separate market for industrial burners, further segmented by: (i) temperature (low-temperature, medium-temperature and high-temperature burners), (ii) technology (direct heat, indirect air-to-air, steam-based and radiant heat), and (iii) application (including in metallurgy, food, oil and gas, chemical, textile, automotive and waste industries).[139]

6.3.1.2. Notifying Party's view

(105) The Notifying Party generally agrees with the Commission's previous approach to the product market definition for industrial burners and the potential sub-segments of such a market.

(106) The Notifying Party considers that the market for burners should follow the segmentation of the market for boilers between residential and commercial/industrial burners.

(107) With respect to a potential segmentation by fuel type, the Notifying Party argues that, although commercial/industrial burners could be further sub-segmented by fuel source, such segmentation is outdated and not necessary because, similar to boilers: (i) most suppliers offer both oil and gas burners and therefore fuel

136 Questionnaire Q1 to boiler competitors, question D.B.21.
137 Questionnaire Q1 to boiler competitors, question D.B.22.
138 Questionnaire Q2 to boiler customers, question D.B.20.
139 Commission Decision of 21 December 2015 in Case No COMP/M.7737 – *Honeywell / Elster*, paragraphs 42-47.

segmentation is not a decisive factor; (ii) the market for oil burners is declining in response to energy transition regulatory requirements.[140]

(108) The Notifying Party submits that other possible segmentations – for instance, based on power/capacity ranges, type of burner (monobloc, dual-bloc, etc) or structure (premix or jet engine) – are not relevant because the portfolio of most burner suppliers cover all these variations. The Notifying Party also does not consider relevant possible segmentations within green-energy burner types (e.g., biogas, biofuel, hydrogen), due to their limited relevance in the overall market.[141]

6.3.1.3. Commission's assessment

(109) The results of the market investigation support a product market definition for commercial/industrial burners.

6.3.1.3.1. Commercial/industrial burners

(110) Consistent with the findings in relation to boilers and in line with the Commission's precedents, the majority of market participants considered that burners for residential applications had generally distinct features from burners for commercial/industrial applications, and these should therefore be considered as separate segments.[142] [143]

(111) Customers indicated that commercial/industrial burners require higher capacity,[144] an external control source (as opposed to manual settings),[145] as well as specific training to be operated.[146] One customer pointed to '*different control, security, quality, adaptation to tailor-made boilers needs* […].[147]

(112) Several customers and competitors expressed a view that burners above 70kW would fall within the commercial/industrial segment.[148] Ultimately, the question as to what would be the most appropriate capacity threshold to classify a burner as residential or commercial/industrial can be left open because the Transaction does not lead to any vertical links involving the upstream market for residential burners,

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140 Form CO, paragraphs 1600 and 1607.

141 Form CO, paragraphs 1616-1620 and 1623.

142 Questionnaire Q1 to burner OEM customers and burner competitors, questions E.A.1 and F.A.1. Questionnaire Q2 to burner customers, question E.A.1.

143 According to market participants, the choice to source a given type of burner is driven by the characteristics of the boiler (Questionnaire Q1 to burner OEM customers, question E.A.10; questionnaire Q2 to burner customers, question E.A.9). As customers explained: '*the burner must be compatible with the boiler*' (Questionnaire Q2 to burner customers, question E.A.10); '*the burner is chosen based on the type and function of the boiler*' (Questionnaire Q2 to burner customers, question E.A.10); 'boiler specifications that drive the choice of burners include '*performances of the combustion, modulation ratio, stability of the flame, etc*.' (Questionnaire Q1 to burner OEM customers, question E.A.11). A competitor noted that '*the burners design has followed the specification of boilers segments*'. (Questionnaire Q1 to burner competitors, question F.A.2).

144 Questionnaire Q2 to burner customers, question E.A.2

145 Questionnaire Q2 to burner customers, question E.A.2

146 Questionnaire Q2 to burner customers, question E.A.2

147 Questionnaire Q2 to burner customers, question E.A.2

148 Questionnaire Q1 to burner competitors, question F.A.2. Questionnaire Q1 to burner OEM customers, question E.A.3. Questionnaire Q2 to burner customers, question E.A.2.

and therefore no possible vertical concerns arise in any potential upstream markets for burners below 70kW.

(113) For purposes of the assessment in the present case, a threshold of 70kW will be considered to distinguish between residential burners and commercial/industrial burners. The competitive assessment in the present case will concern only the upstream market for commercial/industrial burners (i.e. burners above 70 kW), as the Transaction does not lead to any vertical links involving the upstream market for residential burners.

6.3.1.3.2. Capacity/power ranges

(114) Market participants have indicated that it is not possible to place a burner initially manufactured for a boiler of a given power capacity, in a boiler of a different power capacity. Customers explained that '*a burner fits only to certain range of power; different power leads to different dimension of the burner';*[149] *replacement 'is technically not possible*'.[150]

(115) Moreover, market participants generally consider that the market segmentations for burners should follow the segmentations that apply to boilers for residential and commercial/industrial applications.[151] The distinction between residential and commercial/industrial burners as discussed above in itself also relies on a segmentation by capacity (with those boilers below 70kW falling into the residential category). As one customer noted: '[…] *the main element to distinguish between domestic and industrial burners should be the power*'.[152]

(116) The results of the Commission's market investigation therefore suggest that a segmentation of the burner market based on different capacity/power output ranges (in kW) may be relevant.

(117) In light of the feedback from market participants, the competitive assessment in the present case will consider the following capacity segments for commercial/industrial burners: all above 70kW, between 70-399.9kW, between 400-999.9kW and above 1000 kW.

6.3.1.3.3. Fuel used

(118) The majority of market participants found that it may be appropriate to distinguish burners based on the type of fuel used (e.g., oil, gas, biomass, biofuel), due to their generally distinct features.[153]

(119) One competitor explained that: '*The Combustion Technology for liquid fuels and Gaseous fuels are different. Consequently the design of combustion heads and of*

149 Questionnaire Q1 to burner OEM customers, question E.A.15.

150 Questionnaire Q1 to burner OEM customers, question E.A.15.

151 Questionnaire Q1 to burner OEM customers and burner competitors, questions E.A.1 and F.A.1. Questionnaire Q2 to burner customers, question E.A.1.

152 Questionnaire Q2 to burner customers, question E.A.4

153 Questionnaire Q1 to burner competitors, question F.A.5; questionnaire Q2 to burner customers, question E.A.5; questionnaire Q1 to burner OEM customers, question E.A.6.

the fuel abduction systems are completely different between a Oil and a Gas burners. Also the European norms distinguish between the two kinds of burners.'[154]

(120) Customers generally concur with the view that it could be appropriate to segment burners by type of fuel used.[155] Notably, market investigation results indicated that boilers running on green sources of energy (e.g. hydrogen, biofuel, biomass, electric boilers etc.) generally require specific types of burners. Accordingly, many market participants considered that burners of boilers running on green sources of energy would require a separate competitive assessment.[156]

(121) The Parties do not currently manufacture hydrogen burners, [confidential details about Carrier's burner portfolio and sales].[157] [confidential details about Carrier's burner portfolio and sales].[158] Carrier is not active in biofuel burners for commercial/industrial applications;[159] the Target does not manufacture dedicated biofuel burners for any types of application.[160]

6.3.1.3.4. Other parameters

(122) According to Commission precedents, commercial/industrial burners may possibly be delineated based on additional parameters such as temperature (low, medium and high temperature), technology (direct heat, indirect air to air, steam-based, radiant heat), and application (metallurgy, food, oil and gas, chemical, textile, automotive, waste industries).[161]

(123) Although most market participants generally agreed with these other parameters as possible further segmentations for burners,[162] respondents to the market investigation indicate that they do not consider that such other possible

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154 Questionnaire Q1 to burner competitors, question F.A.5.

155 Although one customer noted that '*usually the same boiler can run on gas or oil burners (or mixed burner)*' (Questionnaire Q2 to burner customers, question E.A.14), many customers noted that burners that use different fuel types have different characteristics, being '*different from a technical point of view and from the point of view of regulations*'; that '*each type of fuel has a different characteristics in ignition and combustion. This leads to specific design of the burner*'; and that '*burners technology are not the same*' (Questionnaire Q2 to burner customers, question E.A.6. Questionnaire Q1 to burner OEM customers, questions E.A.7 and E.A.17).

156 Questionnaire Q1 to burner OEM customers, question E.A.18; questionnaire Q2 to burner customers, question E.A.15. As one OEM customer explained: '*Alternative fuels have different properties such as density, combustion rate and ingredients. Not all burner manufacturers have the right solution for every fuel type. It should also be noted that biomass combustion is a completely different topic than the combustion of H2, biogas & bio-oil*.' (Questionnaire Q1 to burner OEM customers, question E.A.17). Another customer noted that '[…] *with biomass the boiler and burner should be totally different*' (Questionnaire Q2 to burner customers, question E.A.14).

157 Form CO, paragraphs 768 and 1606.

158 Form CO, paragraphs 742 and 1604.

159 Form CO, paragraphs 742 and 1604.
For completeness, [confidential details about Carrier's burner sales] (Notifying Party's response to RFI 13).

160 For completeness, some of the Target's oil burners / boilers can run on a blend of oil and biofuel, but only up to 20% biofuel. The Target manufactures the burners itself and such burners can only be integrated in the Target's own boilers. The Target does not sell any of these burners on a stand-alone basis to third parties (Notifying Party's response to RFI 13).

161 Commission Decision of 21 December 2015 in Case No COMP/M.7737 – *Honeywell / Elster*, paragraphs 42-47.

162 Questionnaire Q1 to burner OEM customers, question E.A.4; questionnaire Q2 to burner customers, question E.A.3; questionnaire Q1 to burner competitors, question F.A.3.

segmentations would be particularly relevant. In fact, a market participant considered *'too difficult to segment by temperature and application*';[163] another pointed out that '*the main element to distinguish between domestic and industrial burners should be the power*'.[164]

(124) The feedback received during the market investigation does not suggest that if any of these segmentations were considered, competitive concerns would arise. Therefore, for purposes of the present competitive assessment, no further segmentation based on temperature, technology or application will be taken into account.

6.3.1.3.5. Conclusion

(125) As the Transaction does not raise doubts as to its compatibility with the internal market under any plausible product market definition, the exact product market definition in relation to commercial/industrial burners can be left open.

(126) The feedback received during the market investigation does not suggest that if any of the segmentations considered above were applied cumulatively, the competitive assessment (as discussed in Section 7.2) would change materially. Therefore, and in light of the above considerations in this Section 6.3.1.3, in the present competitive assessment the Commission will consider the following plausible segmentations for the upstream commercial/industrial burners market: (i) all commercial/industrial burners above 70kW, (ii) commercial/industrial burners between 70-399.9kW, (iii) commercial/industrial burners between 400-999.9kW, commercial/industrial burners above 1000 kW, (iv) commercial/industrial burners gas fuelled, (v) commercial/industrial burners oil fuelled and (vi) dual fuel commercial/industrial burners.

6.3.2. Geographic market

6.3.2.1. Commission's past decisions

(127) The Commission has in the past defined the geographic scope of the market for industrial burners as being at least EEA-wide, as customers purchase burners across the EEA.[165]

6.3.2.2. Notifying Party's view

(128) The Notifying Party agrees with the Commission's precedent for industrial burners, that the market should be defined as at least EEA-wide. In the Notifying Party's view, among other factors, regulatory requirements for burners are largely standardised across the EEA, transport costs across the EEA are not material, and there are no local or regional differences of customer behaviour with respect to the sourcing of burners, because the type of burner is generally determined by the type of boiler chosen by the customer.[166]

163 Questionnaire Q2 to burner customers, question E.A.4.
164 Questionnaire Q2 to burner customers, question E.A.4.
165 Commission Decision of 21 December 2015 in Case No COMP/M.7737 – *Honeywell / Elster*.
166 Form CO, paragraphs 1610-1615.

6.3.2.3. Commission's assessment

(129) The majority of OEM burner customers responding to the market investigation indicate that they source burners at EEA level or worldwide,[167] and that their contracts to purchase burners cover multiple countries or the entire EEA.

(130) One OEM customer explained that they use '*standard framework contracts which are valid for global activities*';[168] another one points out that '*contracts are not based on geographical characteristics*'.[169] OEM customers mentioned that they consider the following criteria to choose the place where they source burners within the EEA: '*suppliers localization*' or OEM '*manufacturing locations*',[170] as well as '*proximity to delivery and service*'.[171] One OEM customer explained that they seek to '*have as much as possible short logistics and supply locally in all markets where we are active*'.[172]

(131) Consistent with the feedback from OEM customers, burner competitors indicated that they typically supply burners at worldwide level;[173] also, that regulatory differences between EEA Member States do not have important impact on their ability to supply burners across the EEA. [174]

(132) As for non-OEM customers (essentially burner distributors or installers), while they typically source burners at national level,[175] usually through contracts that cover individual countries,[176] the majority of non-OEM customers have indicated that regulatory differences between EEA Member States do not have important impact on their ability to source burners across the EEA.[177] When faced with the need to select a new supplier of burners, at least 50% of non-OEM customers would consider suppliers at regional or EEA level, as opposed to limiting their initial choice only to national suppliers.[178]

6.3.2.4. Conclusion

(133) The Commission considers that, for commercial/industrial burners, the scope of the geographic market is at least EEA-wide.

167 Questionnaire Q1 to burner OEM customers, question E.B.1.
168 Questionnaire Q1 to burner OEM customers, question E.B.4.
169 Questionnaire Q1 to burner OEM customers, question E.B.4.
170 Questionnaire Q1 to burner OEM customers, question E.B.2.
171 Questionnaire Q1 to burner OEM customers, question E.B.2.
172 Questionnaire Q1 to burner OEM customers, question E.B.2.
173 Questionnaire Q1 to burner competitors, question F.B.1.
174 Questionnaire Q1 to burner competitors, question F.B.11.
175 Questionnaire Q2 to burner customers, question E.B.1.
176 Questionnaire Q2 to burner customers, question E.B.3.
177 Questionnaire Q2 to burner customers, question E.B.12.
178 Questionnaire Q2 to burner customers, question E.B.18.

7. COMPETITIVE ASSESSMENT

7.1. Horizontal effects

7.1.1. Legal framework

(134) The Commission's Guidelines on the assessment of horizontal mergers under the Merger Regulation (the 'Horizontal Merger Guidelines') distinguish two main ways in which mergers between actual or potential competitors on the same relevant market may significantly impede effective competition, namely non-coordinated effects and coordinated effects.[179]

(135) Non-coordinated effects may significantly impede effective competition by eliminating the competitive constraint imposed by one party to the concentration on the other, due to which the combined entity would have increased market power without resorting to coordinated behaviour. According to recital 25 of the Merger Regulation, a significant impediment to effective competition can result from the anticompetitive effects of a concentration even if the combined entity would not have a dominant position on the market concerned. In this regard, the Horizontal Merger Guidelines consider not only the direct loss of competition between the merging firms, but also the reduction in competitive pressure on non-merging firms in the same market that could be brought about by the merger.[180]

(136) The Horizontal Merger Guidelines list several factors, which may influence the rise of substantial non-coordinated effects from a merger, such as: the large market shares of the merging firms; the fact that the merging firms are close competitors; the limited possibilities for customers to switch suppliers; or the fact that the merger would eliminate an important competitive force. The list of factors also applies if a merger would create or strengthen a dominant position or would otherwise significantly impede effective competition due to non-coordinated effects. Furthermore, not all those factors need to be present to make significant non-coordinated effects likely and the list itself is not an exhaustive list.[181]

7.1.2. Manufacture and supply of heat pumps

7.1.2.1. Parties' position on the markets for the manufacture and supply of heat pumps

(137) This section will present the Parties' combined market shares in the manufacture and supply of heat pumps.

(138) The market share data presented in this section has been provided by the Notifying Party and relies to a significant extent on data from the industry report BRG, where available. However, BRG data has been adjusted by the Notifying Party in order to make up for certain limitations in the data (e.g. for certain plausible market segments, underlinable sales figures of the Parties, lack of sales data for all EEA Member States). For segments in which no BRG market data was available, the Notifying Party provided market share estimates based on own internal best estimates.

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179 OJ C 31, 5.2.2004, p. 5. The remainder of this Decision focuses on non-coordinated effects.

180 Horizontal Merger Guidelines, paras. 24-38.

181 Horizontal Merger Guidelines, paras. 24-38.

(139) At EEA level, the Transaction does not give rise to affected markets. The Parties' combined market share is below 20% considering any plausible segmentation of the market for residential/light commercial heat pumps and commercial/industrial heat pumps, including a further segmentation based on type, structure and architecture.[182]

(140) At national level, as mentioned above under paragraph (55), a segmentation of the market for heat pumps has been considered based on (i) application, (ii) type, (iii) structure, and (iv) architecture. By application, the Transaction leads to affected markets only on the residential/light commercial segment. By type, the Transaction leads to affected market only in respect to A2W heat pumps. The Transaction does not lead to affected markets on the G/W/W2W market segment. By architecture, the Transaction leads to affected markets on the segment for split heat pumps. By structure, the Transaction leads to affected markets on the market segments for wall mounted and floor-standing heat pumps.[183] Thus, at national level, the Transaction results in affected markets in respect of the following categories of heat pumps: (i) residential/light commercial heat pumps (in Croatia and Slovakia), (ii) residential/light commercial A2W heat pumps (in Croatia and Slovakia), (iii) residential/light commercial split A2W heat pumps (in Bulgaria, Croatia, the Czech Republic, Finland, Germany, and Slovakia), (iv) residential/light commercial wall-mounted A2W heat pumps (in Croatia and Slovakia) and (v) residential/light commercial floor-standing A2W heat pumps (in Austria, Germany and Slovakia).

(141) Table 1 below provides an overview of the Parties' and their main competitors' market shares on the affected segments, at national level.

182 Form CO, Annex 067a.

183 The feedback received during the market investigation does not suggest that a combination of the segmentations of structure and architecture would be relevant. In particular, the majority of suppliers has all types of these segmentations in their portfolio (see e.g. Questionnaire Q1 to competitors, question C.A.9, and Questionnaire Q2 to customers, question C.A.9) and no market participant raised the prospect of any impact by the Transaction on such a combined segment (see e.g. Questionnaire Q2 to customers, question C.C.8).

Table 1 – Heat pumps, market shares (volume,[184] 2022[185])

Market segment	Carrier	Viessmann	Combined	Daikin	Vaillant	Panasonic	LG electronics	Bosch	Mitsubishi
Croatia									
Residential/light commercial heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%	…
Residential/light commercial A2W heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[20-30]%	[5-10]%	[0-5]%	[0-5]%	….
Residential/light commercial split A2W heat pumps[186]	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[20-30]%	[5-10]-[10-20]%	[0-5]%	[0-5]%	[0-5]%
Residential/light commercial wall-mounted A2W heat pumps[187]	[5-10]%	[20-30]%	**[30-40]%**	[20-30]%	[20-30]%	[5-10]-[10-20]%	[0-5]%	[0-5]%	[0-5]%
Slovakia									
Residential/light commercial heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[10-20]%	[5-10]%	[0-5]%	[5-10]%	….
Residential/light commercial A2W heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[10-20]%	[5-10]%	…	[5-10]%	[5-10]%
Residential/light commercial split A2W heat pumps[188]	[5-10]%	[30-40]%	**[30-40]%**	[20-30]%	[10-20]%	[10-20]%	[0-5]%	[5-10]-[10-20]%	[10-20]%

184 Volume seems to be a good indicator of the Parties' market position in this market for heat pumps, as also indicated by the results of the market investigation and as assessed in Commission Decision of 3 June 2021 in Case No COMP M/10181 – *Entega / Viessmann / EMS / EPS*.

185 The Parties' combined market share data for 2021 and 2020 does not significantly differ from the market share data provided for 2022.

186 The segmentation between monobloc and split is only relevant for A2W heat pumps, as per paragraph 459 of the Form CO. There are no affected markets for the monobloc segment. No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment to be Midea, Hyundai, Samsung (Bulgaria), Daikin, Mitsubishi, Vaillant (Croatia), Mitsubishi, Nibe, Daikin (Finland), Vaillant, Bosch Daikin (Germany), Panasonic, Samsung, Daikin (Slovakia), Mitsubishi, Nibe, Daikin (the Czech Republic).

187 The segmentation between wall mounted and floor-standing is only relevant for A2W heat pumps, as W/W/G/2W are too heavy to be mounted on the wall, as per paragraph 459 of the Form CO.

188 The segmentation between monobloc and split is only relevant for A2W heat pumps, as per paragraph 459 of the Form CO. There are no affected markets for the monobloc segment.

Market segment	Carrier	Viessmann	Combined	Daikin	Vaillant	Panasonic	LG electronics	Bosch	Mitsubishi
Residential/light commercial wall-mounted A2W heat pumps[189]	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[10-20]%	[10-20]%	[0-5]%	[5-10]-[10-20]%	[10-20]%
Residential/light commercial floor-standing A2W heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[20-30]%	[10-20]%	[10-20]%	[0-5]%	[5-10]-[10-20]%	[10-20]%
Bulgaria									
Residential/light commercial split A2W heat pumps	[10-20]%	[5-10]%	**[20-30]%**	[5-10]-[10-20]%	….	[0-5]%	[10-20]-[20-30]%	[0-5]%	[0-5]%
Czech Republic									
Residential/light commercial split A2W heat pumps	[10-20]%	[10-20]%	**[20-30]%**	[5-10]-[10-20]%	[5-10]-[10-20]%	….	[5-10]-[10-20]%	[5-10]-[10-20]%	[5-10]-[10-20]%
Finland									
Residential/light commercial split A2W heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[5-10]-[10-20]%	[0-5]%	[0-5]%	….	[20-30]%	[20-30]%
Germany									
Residential/light commercial split A2W heat pumps	[0-5]%	[20-30]%	**[20-30]%**	[5-10]-[10-20]%	[10-20]-[20-30]%	[0-5]%	….	[5-10]-[10-20]%	[0-5]%
Residential/light commercial floor-standing A2W heat pumps	[0-5]%	[40-50]%	**[40-50]%**	[5-10]-[10-20]%	[10-20]-[20-30]%	[0-5]%	….	[5-10]-[10-20]%	[0-5]%
Austria									
Residential/light commercial floor-standing A2W heat pumps	[0-5]%	[10-20]%	**[20-30]%**	[5-10]-[10-20]%	[10-20]-[20-30]%	….	[0-5]%	[0-5]%	….

Source: Form CO, Annex 067a, BRG data adjusted for correction of Parties' own sales, and Parties' estimates and Parties' response to RFI 12.

7.1.2.2. Commission's assessment

(142) Based on the findings below, the Commission considers that the Transaction will not significantly impede effective competition because: (i) the Parties' combined market shares are moderate, with *de minimis* increments in most instances, (ii)

189 The segmentation between wall mounted and floor-standing is only relevant for A2W heat pumps, as W/W/G/2W are too heavy to be mounted on the wall, as per paragraph 459 of the Form CO.

multiple competitors will continue to constrain the Combined Entity post-Transaction with customers facing low barriers to switch, (iii) the Parties are not close competitors to each other, and (iv) there are low barriers to entry and expansion as evidenced by the recent entry and growth of several players in the EEA.

7.1.2.2.1. Moderate combined market shares and small increments in most affected markets

(143) The Transaction gives rise to a number of affected markets with respect to heat pumps. However, as it can be seen in Table 1, the Parties' combined market share generally remains moderate, with *de minimis* increments, exceeding 5% in four instances, as listed below under paragraph (144). Further, in most affected markets, the Parties' combined market share remains below 25% and,[190] as explained below under Section 7.1.2.2.2, the Combined Entity will continue to face many competitors. Even in those markets in which the Parties' combined market share exceeds 25%, it still remains below 50%, with a HHI delta below 150.[191]

(144) The increments resulting from the Transaction exceed 5% only in four instances, where the combined market share still remains moderate, as follows:

a) In Bulgaria, on the market segment for residential/light commercial split A2W heat pumps, where the Parties' combined market share amounts to [20-30]%, with an increment of [5-10]%;

b) In the Czech Republic, on the market segment for residential/light commercial split A2W heat pumps, where the Parties' combined market share amounts to [20-30]%, with an increment of [10-20]%;

c) In Slovakia, on the market segment for residential/light commercial split A2W heat pumps, where the Parties' combined market share amounts to [30-40]%, with an increment of [5-10]%;

d) In Croatia, on the market segment for residential/light commercial wall-mounted A2W heat pumps, where the Parties' combined market share amounts to [30-40]%, with an increment of [5-10]%.

(145) The results of the market investigation show that neither customers nor competitors consider that the Combined Entity would have a strong position in a specific market segment post-Transaction.[192] As one customer explained '*[t]here are so many suppliers on the market that it is unlikely that Carrier and Viessmann will achieve 40% of the market*.'[193] Further, one competitor explains '*[t]he heat pump market is very fragmented with many players. Also post-Transaction, we believe the Parties*

190 Paragraph 8(a) of the COMMISSION NOTICE on a simplified treatment for certain concentrations under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings provides for the possibility of concentrations resulting in a combined market share in a horizontal relationship below 25% to be reviewed under the simplified procedure.

191 The Horizontal Merger Guidelines, paragraph 20 explain that the Commission is unlikely to find competition concerns if a merger gives rise to a HHI delta below 150.

192 Questionnaire Q2 to customers, question C.C.9 and Questionnaire Q1 to competitors, question C.C.4 and C.C.5.

193 Questionnaire Q2 to customers, question C.C.10.

would have moderate shares everywhere and not >40% in any one country or across EEA.'[194] In addition, one other competitor submits '[*i*]*n my opinion there is no EEA country where Viessmann and Carrier may have together around or more than 40% market share'*[195] For instance, one competitor submits *'[o]verall, it is estimated that the Parties had a combined market share between 6 and 8% in 2022*.'[196]

(146) The assessment below under Sections 7.1.2.2.2 to 7.1.2.2.4 is valid across each of the affected market segments. Accordingly, any attempt by the Combined Entity to increase prices, decrease choice or quality or limit innovation is likely to be short-lived as customers will easily switch and turn to one of several alternative existing suppliers or to those which are expanding their presence across the EEA, as barriers to entry and expansion seem to be limited and Parties do not seem to be close competitors. Further, customers did not raise any concerns with respect to the impact of the Transaction on any of the affected heat pumps markets.[197]

7.1.2.2.2. Multiple competitors will continue to constrain the Combined Entity post-Transaction

(147) A concentration is more likely to raise concerns when customers of the merging parties have difficulties switching to other suppliers because either there are few alternatives or because they face substantial switching costs.[198] In the case at hand, the results of the market investigation confirmed that several credible alternative suppliers will remain active on the market post-Transaction and that switching costs are not substantial.[199] As one customer explains '*[c]ompetition in the heat pump market is intense. I see no problem in re-establishing the supply chain.*'[200] One other customer submits '*[t]here are many well-known manufacturers of heat pumps with similar specifications throughout Europe*.'[201] This view is supported also by competitors. For instance, a competitor explains that '*key competitors in European heat pump market are Daikin, NIBE, Vaillant Group and Mitsubishi'*.[202]

(148) The results of the market investigation show that: (i) the Combined Entity will face strong competition both from established EEA rivals active across multiple product segments and countries, including all affected countries, such as Vaillant, Bosch and BDR Thermea, and from Asian suppliers, such as Daikin and LG Eletronics,[203] and (ii) there are low barriers to switching for customers.[204] In respect to the former, one competitor explains *'[…] all major players are present or trying to enter the heat pumps market [and] 30% of the market for heat pumps in the EEA is in the hands of Asian players, such as Daikin, Mitsubishi.*[205] The same competitor further clarifies that '*[i]n addition to the absence of meaningful overlaps between*

194 Questionnaire Q1 to competitors, question C.C.5.
195 Questionnaire Q1 to competitors, question C.C.5.
196 Minutes from a call with a competitor of 24 August 2023, paragraph 28.
197 Questionnaire Q2 to customers, question C.D.1.
198 Horizontal Merger Guidelines, paragraph 31.
199 Questionnaire Q2 to customers, questions C.B.19, C.C.4 and C.C.11.
200 Questionnaire Q2 to customers, question C.B.20.
201 Questionnaire Q2 to customers, question C.B.20.
202 Minutes of a call with a competitor of 24 August 2023, paragraph 33.
203 Questionnaire Q1 to competitors, question C.1.
204 Questionnaire Q1 to customers, question C.B.19.
205 Minutes of a call with a competitor on 8 September 2023, paragraph 18.

the Parties, the Company perceives the heat pumps market as a growing one, in which several European and Asian players are active.'[206]

7.1.2.2.3. Closeness of competition

(149) A concentration is more likely to raise concerns when there is a high degree of substitutability between the products of the parties to the concentration, as in such instance, it is more likely that the merging parties will raise prices significantly.[207]

(150) The results of the market investigation indicate that the Parties are not close competitors in any of the affected markets.

(151) A majority of the customers indicated that they do not perceive the Parties as close competitors on the market for heat pumps.[208] As one customer explains *'[…] both produce different products, in terms of quality and brand*'.[209] Likewise, competitors consider other players as being in direct competition with either of the Parties. For instance, one competitor explains '*Ariston, Atlantic, Bosch are the closest (biggest) competitors to Viessmann.*' In addition, competitors seems to consider Daikin, Mitsubishi and Vaillant as the closest competitors to Carrier.[210] This view is also supported by the Parties' internal documents, as illustrated above in Figure 6 and Figure 7.

Figure 6 – Viessmann's internal document discussing its market position

[…]

Source: Form CO, Section 5.4. internal documents, document 028.

Figure 7 – Carrier's internal document discussing its market strategy

[…]

Source: Form CO, Section 5.4. internal documents, document 024.

7.1.2.2.4. Recent entry and expansion by rivals

(152) When market conditions are such that the competitors of the merging parties are unlikely to increase their supply substantially if prices increase, the merging firms may have an incentive to reduce output below the combined pre-concentration levels, thereby raising market prices. Conversely, when market conditions are such that rival firms have enough capacity and find it profitable to expand output sufficiently, the Commission is unlikely to find that the concentration will create or strengthen a dominant position or otherwise significantly impede effective competition.

(153) In the case at hand, the Commission considers that recent entry and expansion by rivals will continue to place a significant competitive constraint on the Combined Entity.

206 Minutes of a call with a competitor on 8 September 2023, paragraph 5.
207 Horizontal Merger Guidelines, paragraph 28.
208 Questionnaire Q2 to customers, question C.C.A.1.
209 Questionnaire Q2 to customers, question C.C.A.1.
210 Questionnaire Q1 to competitors, question C.A.A.2-2.

(154) First, respondents to the market investigation indicated that the market for heat pumps is in a general upward trend, in particular due to regulation on the use of sustainable heating and cooling sources.[211]

(155) Second, EEA-based and Asian rivals have successfully entered and subsequently expanded their activities on the market for heat pumps across the EEA recently.[212] The majority of customers submit that they have started to purchase heat pumps from new suppliers (suppliers based either in the EEA or outside the EEA, for instance in Asia) during the last three years.[213] Additionally, customers explained that they will be able to purchase heat pumps from a new supplier in the next three years.[214] As one customer submits *'[m]any suppliers are offering [heat pumps] from Asia, in particular.*'[215] Competitors confirm the recent entry of new rivals in the market for heat pumps across the EEA.[216] Further, competitors expect new entry of rivals within the next five years.[217] For instance, one competitor explains '*[t]he heat pump market is expected to grow in EEA, therefore it is attractive to other players, […].*'[218] One other competitor adds *'[t]he new EU Heat pump action plan and RePower initiatives will be reasons more producers shall enter to heat pumps sector in the EEA*'.[219]

(156) Third, the results of the market investigation indicate that barriers to expand in the EEA market for heat pumps are not particularly high. As one competitor explains *'[b]arriers to entry of starting production and supply of heat pumps of a new input source are not very high.*'[220]

(157) Fourth and finally, the results of the market investigation indicate that customers consider that they have alternative suppliers from which to choose and switching to alternative heat pump suppliers does not presuppose a significant cost for customers. As one customer explained *'[c]ompetition in the heat pump market is intense. I see no problem in re-establishing the supply chain.*'[221]

7.1.2.2.5. Conclusion

(158) For the reasons set out under Sections 7.1.2.2.1 to 7.1.2.2.4 above the Commission finds that the Transaction does not give rise to serious doubts as to its compatibility with the internal market in respect to the affected heat pump markets.

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211 Questionnaire Q1 to competitors, question C.C.B.4, Minutes of a call with a competitor on 8 September 2023, paragraph 24, and Minutes from a call with a customer on 5 October 2023, paragraph 5.

212 Minutes from a call with a customer on 5 October 2023, paragraph 5, and Minutes from a call with a competitor on 30 August 2023, paragraph 9.

213 Questionnaire Q2 to customers, question C.C.B.1.

214 Questionnaire Q2 to customers, question C.C.B.3.

215 Questionnaire Q2 to customers, question C.C.B.4.

216 Questionnaire Q1 to competitors, question C.C.B.1.

217 Questionnaire Q1 to competitors, question C.C.B.3.

218 Questionnaire Q1 to competitors, question C.C.B.4.

219 Questionnaire Q1 to competitors, question C.C.B.4.

220 Minutes of a call with a competitor on 30 August 20023, paragraph 9.

221 Questionnaire Q2 to customers, question C.B.19.

7.1.3. Manufacture and supply of boilers

7.1.3.1. Market shares

(159) This Section will discuss the Parties' combined market shares in the manufacture and supply of boilers, both at EEA-wide and at national level.

(160) The market share data presented in this Section has been provided by the Notifying Party and relies to a significant extent on data from the industry report BRG,[222] where available. However, BRG data has been adjusted by the Notifying Party in order to make up for certain limitations in the data (e.g. incorrect sales figures of the Parties, lack of sales data for boilers with a capacity above 400kW). For segments in which no BRG market data was available, the Notifying Party provided market share estimates based on own internal best estimates.

(161) Table 2 below present the combined market shares of the Parties at EEA level for all boilers combined, as well as separately for residential/light commercial and commercial/industrial boilers – no affected markets arise at this level.

Table 2 – EEA-wide boiler market shares (2022, volume)

	All boilers	**Residential/light commercial boilers**	**Commercial/industrial boilers**
Carrier	[0-5]%	[0-5]%	[0-5]%
Viessmann	[5-10]%	[5-10]%	[10-20]%
Combined	***[5-10]%***[223]	***[5-10]%***	***[10-20]%***[224]
Vaillant	[20-30]%	[20-30]%	[5-10]%
BDR Thermea	[10-20]%	[10-20]%	[20-30]%
Bosch	[10-20]%	[10-20]%	[10-20]%
Ariston	[10-20]%	[10-20]%	[5-10]%
Immerfin	[5-10]%	[5-10]%	[0-5]%
Ferroli	[0-5]%	[0-5]%	[0-5]%
Groupe Atlantic	[0-5]%	[0-5]%	[5-10]%
Weishaupt	[0-5]%	[0-5]%	[0-5]%
Others	[20-30]%	[20-30]%	[20-30]%
Total	**100%**	**100%**	**100%**

Source: Notifying Party's response to RFI 8, Annex 12. BRG data adjusted for correction of Parties' own sales.

222 Further as regards the data from BRG, see footnote 36.

223 The market size includes the Parties' sales of boilers with a capacity above 400kW, but does not include the sales of competitors of boilers with a capacity above 400kW. If the market size is further adjusted to take into account boilers with a capacity above 400kW (which are missing from the BRG data), the Parties' combined market share would be [5-10]%.

224 The market size includes the Parties' sales of boilers with a capacity above 400kW, but does not include the sales of competitors of boilers with a capacity above 400kW. If the market size is further adjusted to take into account boilers with a capacity above 400kW (which are missing from the BRG data), the Parties' combined market share would be [10-20]%.

(162) Further, Table 3 below lists the affected boilers markets that arise when considering national markets and/or when considering further product segmentations at EEA or national level (according to the plausible segmentations listed in section 6.2.1.3.5).[225] No other affected EEA or national markets arise according to the market segmentations considered in section 6.2.1.3.5.[226]

[225] While certain Commission precedent decisions considered capacity segments of 70-500kW and 500-1000kW within commercial/industrial boilers, the market shares presented in this decision rely on 70-399.9kW and 400-999.9kW segments, as the 400kW cut-off aligns with how industry publication BRG tracks data.

[226] Notifying Party's response to RFI 8, Annex 12.

Table 3 – Plausible affected boilers markets (2022, volume)

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
EEA												
Commercial / industrial 1,000 – 19,999.9kW boilers[227]	[0-5]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Belgium												
Residential / light commercial oil boilers[228]	[5-10]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Residential / light commercial floor standing boilers	[10-20]%	[20-30]%	[30-40]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[20-30]%
Residential / light commercial non-condensing boilers	[20-30]%	[0-5]%	[20-30]%	[5-10]%	[5-10]%	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[0-5]0%	[0-5]%	[40-50]%
Commercial / industrial 1,000 – 19,999.9kW boilers[229]	[0-5]%	[20-30]%	[30-40]%	…	…	…	…	…	…	…	…	…
Commercial / industrial floor standing boilers[230]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Bulgaria												
Residential / light commercial 0-34.9kW boilers[231]	[0-5]%	[30-40]%	[30-40]%	…	…	…	…	…	…	…	…	…
Residential / light commercial gas boilers	[0-5]%	[30-40]%	[30-40]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[20-30]%	[0-5]%	[5-10]%
Residential / light commercial wall hung boilers	[0-5]%	[30-40]%	[30-40]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[20-30]%	[0-5]%	[5-10]%
Residential / light commercial condensing boilers	[0-5]%	[30-40]%	[30-40]%	[5-10]%	[10-20]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[20-30]%	[0-5]%	[5-10]%

227 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in the EEA to be BDR Thermea, Bosch, Immerfin / Immergas and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

228 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Belgium, the main competitors according to BRG data adjusted for the Parties corrected sales are Vaillant ([60-70]%), and Bosch ([10-20]%).

229 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in Belgium to be BDR Thermea, Bosch, and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

230 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial floor standing boilers in Belgium are BDR Thermea ([20-30]%), Groupe Atlantic ([20-30]%), and Bosch ([5-10]%).

231 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Bulgaria, the main competitors according to BRG data adjusted for the Parties corrected sales are Immerfin ([10-20]%), Bosch ([5-10]%), as well as a large group of others ([40-50]%).

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
Residential / light commercial combination boilers[232]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial gas fuelled boilers[233]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Croatia												
All commercial / industrial boilers[234]	[0-5]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial 70-399.9kW boilers	[0-5]%	[20-30]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[50-60]%
Commercial / industrial gas fuelled boilers[235]	[0-5]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial wall hung boilers	[0-5]%	[20-30]%	[20-30]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%	[40-50]%
Commercial / industrial condensing boilers[236]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Denmark												
Commercial / industrial 70-399.9kW boilers	[0-5]%	[40-50]	[40-50]%	[0-5]%	[20-30]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[10-20]%
Commercial / industrial 400-999.9kW boilers[237]	[0-5]%	[40-50]%	[40-50]%	…	…	…	…	…	…	…	…	…

232 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Bulgaria, the main competitors according to BRG data adjusted for the Parties corrected sales are Immerfin ([10-20]%), Bosch ([5-10]%), as well as a large share attributed to others ([40-50]%).

233 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial gas fuelled boilers in Bulgaria are Bosch ([20-30]%) and BDR Thermea ([10-20]%).

234 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial boilers in Croatia are Vaillant ([10-20]%), Bosch ([0-5]%), and a large share attributed to others ([50-60]%).

235 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial gas fuelled boilers in Croatia are Vaillant ([10-20]%), and a large share attributed to others ([50-60]%).

236 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial condensing boilers in Croatia are Vaillant ([10-20]%), and a large share attributed to others ([50-60]%).

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
Commercial / industrial condensing boilers[238]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
France												
Commercial / industrial 1000-19,999kW boilers[239]	[5-10]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Germany												
Residential / light commercial oil boilers[240]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Residential / light commercial condensing boilers	[0-5]%	[20-30]%	[20-30]%	[10-20]%	[20-30]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%
Commercial / industrial floor standing boilers[241]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial non-condensing boilers[242]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Hungary												
Commercial / industrial floor standing boilers[243]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…

237 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in Denmark to be Vaillant, BDR Thermea, Bosch, Ariston Group, Immerfin / Immergas, Ferroli and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

238 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial condensing boilers in Denmark are Bosch ([20-30]%), Vaillant ([5-10]%), and a significant share attributed to others ([20-30]%).

239 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in France to be BDR Thermea, Bosch, Immerfin / Immergas and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

240 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Germany, the main competitors according to BRG data adjusted for the Parties corrected sales are Bosch ([20-30]%), Vaillant ([10-20]%), and BDR Thermea ([10-20]%).

241 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial floor standing boilers in Germany are Bosch ([20-30]%), Vaillant ([10-20]%), and BDR Thermea ([10-20]%).

242 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitor in commercial/industrial non-condensing boilers in Germany is Bosch ([20-30]%).

243 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
Italy												
Residential / light commercial oil boilers[244]	[20-30]%	[5-10]%	[20-30]%	…	…	…	…	…	…	…	…	…
Residential / light commercial floor standing boilers	[10-20]%	[10-20]%	[20-30]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[60-70]%
Commercial / industrial 70-399.9kW boilers	[10-20]%	[5-10]%	[20-30]%	[10-20]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[40-50]%
Commercial / industrial 400-999.9kW boilers[245]	[10-20]%	[5-10]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial 1000-19,999kW boilers[246]	[5-10]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial gas fuelled boilers[247]	[10-20]%	[5-10]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial floor standing boilers[248]	[10-20]%	[5-10]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial condensing boilers[249]	[10-20]%	[5-10]%	[20-30]%	…	…	…	…	…	…	…	…	…

up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial floor standing boilers in Hungary are BDR Thermea ([5-10]%), and a large share attributed to others ([40-50]%).

244 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Italy, the main competitors according to BRG data adjusted for the Parties corrected sales are Vaillant ([10-20]%), Ariston ([10-20]%), and Immerfin ([10-20]%).

245 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in Italy to be Immerfin / immergas, BDR Thermea, Bosch, Ferroli, Arca, Silmar / Valsir, UNICAL, BONGIOANNI CALDAIE and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

246 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in Italy to be BDR Thermea, Bosch, Immerfin / Immergas, Ferroli, Arca, UNICAL and BONGIOANNI CALDAIE (Notifying Party's response to RFI 8, question 12a).

247 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial gas fuelled boilers in Italy are BDR Thermea ([10-20]%), Ariston ([5-10]%), and a large share attributed to others ([40-50]%).

248 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial floor standing boilers in Italy are Groupe Atlantic ([5-10]%), BDR Thermea ([5-10]%), and a large share attributed to others ([40-50]%).

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
Lithuania												
All commercial / industrial boilers[250]	[0-5]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial 70-399.9kW boilers	[5-10]%	[50-60]%	[50-60]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	38.10%
Commercial / industrial condensing boilers[251]	[5-10]%	[40-50]%	[40-50]%	…	…	…	…	…	…	…	…	…
Poland												
Residential / light commercial 0-34.9kW boilers[252]	[5-10]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Residential / light commercial combination boilers[253]	[0-5]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Romania												
All commercial / industrial boilers[254]	[10-20]%	[20-30]%	[30-40]%	…	…	…	…	…	…	…	…	…
Commercial / industrial 70-399.9kW boilers	[10-20]%	[20-30]%	[30-40]%	[20-30]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	[5-10]%	[0-5]%	[0-5]%	[5-10]%
Commercial / industrial 400-999.9kW boilers[255]	[10-20]%	[20-30]%	[30-40]%	…	…	…	…	…	…	…	…	…

249 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial condensing boilers in Italy are BDR Thermea ([10-20]%), Ariston ([5-10]%), and a large share attributed to others ([40-50]%).

250 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial boilers in Lithuania are Bosch ([0-5]%), and a large share attributed to others ([30-40]%).

251 BRG does not report competitor market data for this segment.

252 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Poland, the main competitors according to BRG data adjusted for the Parties corrected sales are Vaillant ([10-20]%), BDR Thermea ([10-20]%), and Bosch ([10-20]%).

253 No competitor market shares have been provided by the Notifying Party for this segment. On the overall residential/light commercial boiler market in Poland, the main competitors according to BRG data adjusted for the Parties corrected sales are Vaillant ([10-20]%), BDR Thermea ([10-20]%), and Bosch ([10-20]%).

254 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial boilers in Romania are BDR Thermea ([20-30]%), and Bosch ([10-20]%).

255 No competitor market shares have been provided by the Notifying Party for this segment. The Parties consider their main competitors on this segment in Romania to be Vaillant, BDR Thermea, Bosch, Ariston Group, Immerfin / Immergas, Ferroli and Groupe Atlantic (Notifying Party's response to RFI 8, question 12a).

EEA / national market	Carrier	Viessmann	Combined	BDR Thermea	Bosch	Groupe Atlantic	Ariston	Vaillant	Ferroli	Immerfin	Wesihaupt	Others
Commercial / industrial gas fuelled boilers[256]	[10-20]%	[20-30]%	[30-40]%	…	…	…	…	…	…	…	…	…
Commercial / industrial floor standing boilers[257]	[50-10]%	[10-20]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial wall hung boilers	[10-20]%	[20-30]%	[30-40]%	[20-30]%	[10-20]%	[0-5]%	[0-5]%	[0-5]%	9.82%	[0-5]%	[0-5]%	[0-5]%
Commercial / industrial condensing boilers[258]	[10-20]%	[20-30]%	[30-40]%	…	…	…	…	…	…	…	…	…
Sweden												
All commercial / industrial boilers[259]	[0-5]%	[20-30]%	[20-30]%	…	…	…	…	…	…	…	…	…
Commercial / industrial 70-399.9kW boilers	[0-5]%	[30-40]%	[30-40]%	[5-10]%	[0-5]%	[0-5]%	[0-5]%	[20-30]%	[0-5]%	[0-5]%	[5-10]%	[30-40]%
Commercial / industrial gas fuelled boilers[260]	[0-5]%	[30-40]%	[30-40]%	…	…	…	…	…	…	…	…	…

Source: Notifying Party's response to RFI 8, Annex 12. BRG data adjusted for correction of Parties' own sales, or Parties' own estimates.

(163) Table 3 above shows that in most plausible affected boiler markets, the Parties' combined market share remains moderate and/or the increment brought about by

256 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial gas fuelled boilers in Romania are BDR Thermea ([20-30]%), Bosch ([10-20]%), and Ferroli ([5-10]%).

257 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial floor standing boilers in Romania are BDR Thermea ([10-20]%), and a large share attributed to others ([30-40]%).

258 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial condensing boilers in Romania are BDR Thermea ([20-30]%), and Bosch ([10-20]%).

259 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial boilers in Sweden are Vaillant ([20-30]%), BDR Thermea ([5-10]%), Weishaupt ([5-10]%), and a large share attributed to others ([30-40]%).

260 Competitor market shares for this segment are only provided based on a market size that includes all of the boiler sales of the Parties that fall into this segment, but only includes competitors' boiler sales up to 400kW (therefore likely somewhat underestimating competitors' relative competitive position compared to the Parties). According to this data the main competitors in commercial/industrial gas fuelled boilers in Sweden are Vaillant ([20-30]%) and Weishaupt ([5-10]%).

the Transaction remains small. In markets with large combined market shares often only very few units of boilers are sold annually.[261]

(164) On request of the Commission, the Notifying Party also provided certain market share data for the years 2020 and 2021.[262] The Commission requested this data to ensure that the 2022 market shares provided by the Notifying Party are representative also for other recent years. Upon review it can be noted that the 2022 volume share market data can be considered representative for the Parties' general market positions in the plausible EEA boilers markets.[263]

(165) In order to verify that the market share estimates provided by the Notifying Party present an accurate view of market shares and of the Parties' relative competitive position in the plausible markets, the Commission in the market investigation asked market participants to highlight any boiler market segments in which they consider the Parties to have a combined market share greater than 40%. While the large majority of respondents do not indicate any market in which the Parties would have a combined share above 40%, one customer indicates that this would be the case in Italy, France and Germany for commercial/industrial boilers.[264] Another customer submits this would be the case in Germany for residential/light commercial boilers.[265] Three competitors responding to this question indicate that this would be the case in Italy for commercial/industrial boilers.[266] A competitor explains: '*In industrial output ranges, Carrier & Viessmann (current Vissmann* (sic!) *set-up, not necessarily Viessmann Climate Solutions) are both strong in Italy*'.[267] Another competitor adds that '*on the commercial boilers both Carrier and Viessmann have a strong presence in Italy*'[268] and that it '*estimates Carrier and Viessmann to have a strong presence in Italy in both commercial and residential segments of the boiler market. The Company considers that, post-Transaction, the Parties' combined market share in Italy in the market segment for commercial boilers would reach 30 to 40%*'.[269] A further competitor explains that '[i]*n Italy, Riello & Viessmann have* [a] *strong position on commercial boilers*'.[270]

(166) The data available from the industry BRG reports as well as the Notifying Party's estimates suggest that with respect to commercial/industrial boilers in France and Germany and residential/light commercial boilers in Germany, the Parties would have a market share well below 40% - in fact below 20% (this is the case when taking into account all of the Parties' sales in that market and the BRG reported

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261 E.g. in the markets for commercial/industrial boilers with a capacity of 70-399.9kW in Denmark and Lithuania, Carrier […] in 2022 respectively. In the market for commercial/industrial boilers with a capacity of 400-999.9kW in Denmark, Carrier […].

262 See Notifying Party's response to RFI 8, Annexes 13 and 14.

263 There are some cases of plausible national boilers markets in which one Party has a market share above 20% but the other Party has a market share of 0% in 2022, yet the latter Party has made sales in either 2020 or 2021. However, in such cases the Party that has 0% market share in 2022 only made sales of very few units (single digits) in the respective plausible markets. Therefore, the overall competitive assessment is not impacted.

264 Questionnaire Q2 to boiler customers, question D.C.A.8.

265 Questionnaire Q2 to boiler customers, question D.C.A.8.

266 Questionnaire Q1 to boiler competitors, question D.C.8.

267 Questionnaire Q1 to boiler competitors, question D.C.9.

268 Questionnaire Q1 to boiler competitors, question D.C.9.

269 Minutes of a call with a competitor of 8 September 2023, paragraph 13.

270 Questionnaire Q1 to boiler competitors, question D.C.9.

market sizes - if one were to take into account any competitor sales potentially unaccounted for by BRG, the Parties' combined shares would be even lower).

(167) With respect to commercial/industrial boilers in Italy, and given that a number of competitors of the Parties suggest the Parties to have a strong position in that market, it can be noted that an affected market would arise according to BRG data corrected for the Parties' actual sales ([20-30]% combined share with a [5-10]% increment from Viessmann) – only when taking into account the Notifying Parties' estimates of an increase in the market size compared to the BRG market size (to account for missing competitor sales above 400kW which are not recorded by BRG), would the Parties' combined market share fall below 20%. The competitive assessment following in this Section will therefore also consider that any arguments for the absence of competition concerns in the affected markets apply specifically also to commercial/industrial boilers in Italy.

7.1.3.2. Commission's assessment

(168) As shown in Section 7.1.3.1 above, with the exception of the plausible market for commercial/industrial boilers with a capacity between 1000 and 19,999kW,[271] no affected markets arise at EEA level. Therefore, and as the Parties will continue to face many competitors at EEA-level, the following assessment will focus on the plausible affected markets at national level.

7.1.3.2.1. Moderate combined market shares and small increment in most affected markets

(169) The Transaction gives rise to a number of plausible affected markets with respect to boilers. However, as can be seen in Table 3 above, the combined market shares of the Parties generally remain moderate and the increments are small. As is further elaborated in the following sections, on affected markets where the combined market share of the Parties is below 30% or the HHI delta is below 150, customers have sufficient access to alternative suppliers, the Parties generally do not compete closely, and market participants have not expressed concerns. Therefore, no competition concerns arise with respect to these markets.

(170) Only in the following plausible affected markets is the combined market share of the Parties above 30% as well as the HHI delta brought about by the Transaction above 150:[272]

(a) Belgium: Residential/light commercial floor standing boilers ([30-40]% combined market share).

(b) Denmark: Commercial/industrial boilers with a capacity between 70-399.9kW ([40-50]% combined market share), commercial/industrial boilers with a capacity between 400-999.9kW ([40-50]% combined market share).

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271 Where the Parties would have a market share of [20-30]% with an increment by Carrier of [0-5]%, i.e. a combined market share below 25% which may in itself be considered indicative of the absence of competition concerns (paragraph 18 Horizontal Merger Guidelines).

272 HMG paragraph 20 explain that the Commission is unlikely to find competition concerns if a merger gives rise to a HHI delta below 150.

(c) Lithuania: Commercial/industrial boilers with a capacity between 70-399.9kW ([50-60]% combined market share), commercial/industrial condensing boilers ([40-50]% combined market share).

(d) Romania: All commercial/industrial boilers ([30-40]% combined market share), commercial/industrial boilers with a capacity between 70-399.9kW ([30-40]% combined market share), commercial/industrial boilers with a capacity between 400-999.9kW ([30-40]% combined market share), commercial/industrial gas fuelled boilers ([30-40]% combined market share), commercial industrial wall hung boilers ([30-40]% combined market share), commercial/industrial condensing boilers ([30-40]% combined market share).

(171) For none of these plausible markets have market participants during the market investigation submitted information indicating that they consider the Parties to hold a particularly strong combined market position. In any case, the considerations as to the absence of competition concerns considered in the following sections apply to these plausible markets, as well as to the market for commercial/industrial boilers in Italy (for which some market participants indicated that they do consider the Parties to have a strong combined market position). Where appropriate, the following sections will further present specific evidence related to these markets where the Parties' combined market is above 30% as well as the HHI delta is above 150.

7.1.3.2.2. The Parties are not close competitors

(172) The Notifying Party submits that Carrier is not a strong or particularly relevant competitor in relation to residential hot water boilers, and that the Parties face closer competition from other hot water boiler manufacturers than from each other.[273] The Notifying Party further explains that Viessmann's products can be considered as premium products, while Carrier has a '*standard*' offering.[274]

(173) The Notifying Party also submits that the Parties are not close competitors in commercial/industrial boilers. For example, with respect to Italy, the Notifying Party states that '*the Parties' offerings are in fact quite different and overlap only to a limited extent, due to differences in technological efficiency*'.[275] Similarly, the Notifying Party submits that also in other countries such as Denmark,[276] Lithuania,[277] and Romania[278] the Parties are not close competitors in commercial/industrial boilers.

(174) The market investigation confirms that the Parties are not close competitors in boilers in general, neither in the plausible affected markets in particular.

273 Form CO, paragraphs 607-608.
274 Form CO, paragraph 608.
275 Form CO, paragraph 632.
276 Form CO, paragraph 979.
277 Form CO, paragraph 996.
278 Form CO, paragraph 1012.

(175) **First**, while Viessmann is considered to be a strong boilers player by various market participants, Carrier is generally not seen to be among the top five boilers players within any plausible boilers product segment.[279]

(176) **Second**, market participants do not consider Carrier and Viessmann to be close competitors in boilers. Asked whether they consider Carrier and Viessmann to compete closely with each other in relation to the supply of any of the plausible boiler product segments, no competitors indicated that the Parties compete closely or very closely.[280] Similarly, large majorities of customers indicate that they consider the Parties to not compete closely or very closely in relation to the supply of any of the plausible boilers product segments.[281] Competitors and customers generally indicate that this would not be different in any particular EEA country.[282] The exception to this are two competitors that indicate that the Parties compete closely in Italy (one competitor considers this to be the case for residential/light commercial boilers only, while the other competitor considers this to be the case across all types of boilers).[283] One customers considers the Parties to compete closely for certain boiler types in Poland.[284]

(177) Generally, market participants underline that they do not consider the Parties as close competitors in boilers or any plausible boilers segments by stating the following. One customer submits that '*Viessmann and Carrier are different specialists*'.[285] Specifically with respect to Romania one customer states that '[t]*hey are not competitors on the Romanian market*'.[286] A competitor explains: '*There are no countries where we consider that Carrier and Viessmann are closer competitors between each other than with other suppliers of boilers in the EEA*'.[287]

(178) Another market participants points to a difference in geographic focus of the Parties: '*Overall, from a geographic scope, the Parties' commercial boiler products appear to be relatively complimentary, as Viessmann is quite strong in Germany and France, while Carrier through Riello is strong in Italy and Eastern Europe*'.[288]

(179) **Third**, the boiler products and commercial offering of Carrier and Viessmann are not considered to be very similar by market participants. For example, majorities of market participants for all plausible boiler product segments consider the Parties' offering only somewhat or not at all similar.[289] One competitor explains in this context that '[t]*here could be some overlap but portfolio of the 2 companies is not*

279 Questionnaire Q1 to boiler competitors, question D.C.7 and Questionnaire Q2 to boiler customers, question D.C.A.4.
280 Questionnaire Q1 to boiler competitors, question D.C.B.5.
281 Questionnaire Q2 to boiler customers, question D.C.B.4.
282 Questionnaire Q1 to boiler competitors, question D.C.B.6 and Questionnaire Q2 to boiler customers, question D.C.B.5.
283 Questionnaire Q1 to boiler competitors, question D.C.B.7.
284 Questionnaire Q2 to boiler customers, question D.C.B.6.
285 Questionnaire Q2 to boiler customers, question D.C.B.1.
286 Questionnaire Q2 to boiler customers, question D.C.B.1.
287 Questionnaire Q1 to boiler competitors, question D.C.B.1.
288 Minutes of a call with a competitor of 11 October 2023, paragraph 12.
289 Questionnaire Q1 to boiler competitors, question D.C.B.2 and Questionnaire Q2 to boiler customers, question D.C.B.2.

very similar as far as we know'.[290] Another competitor explains that '[b]*oth companies offer different ranges in the sortiment*'.[291] A customer explains the following in this context: '*Technically Viessmann is consider a high quality product supplier at higher price level. Carrier (Riello) is considered to act in the mid price segment. Level of technical solutions differs a lot*'.[292]

(180) **Fourth**, the Parties' internal documents show that they do not regard each other as close competitors with respect to boilers. For example, in an internal document considering industrial boilers, Viessmann under the heading '*Competition Monitoring*' considers competition from [competitor names] and other competitors, but not from Carrier.[293] In an internal Carrier document, related to commercial boilers, Carrier considers [competitor names] as the market leaders in Europe, followed by [competitor names]. Riello (an important Carrier brand) follows as [Carrier analysis of Riello market position].[294] In the same internal document, Carrier further assesses (as shown in Figure 8 below), that it considers [Carrier comparison of Parties' market positions]. The document appears to suggest that Riello (Carrier) competes more closely with a number of different rivals ([competitor names]) than with Viessmann.

Figure 8 – Carrier's view of the competitive landscape for boilers in Europe

[…]

Source: Notifying Party's response to RFI 8, Annex 6, page 24.

(181) With respect to residential boilers, Carrier in an internal document assesses that [Carrier internal analysis of residential boiler market, including main competitors]. No Carrier brands are listed by name, but rather are likely included in the [30 – 40]% share of others.[295]

(182) In another internal document, Carrier compares the pricing of Riello products with those of certain competitors in Italy. As can be seen below in Figure 9, this graph shows that in particular in relation to the higher output spectrum considered, [Carrier internal analysis of competitors' pricing of boilers]. This further appears to suggest that the Parties' boiler offerings are not close substitutes, including in Italy.

Figure 9 – Carrier's boiler price benchmarking in Italy

[…]

Source: Notifying Party's response to RFI 8, Annex 5, page 18.

(183) Overall, it therefore appears that neither the market participants nor the Parties themselves consider Carrier and Viessmann to be close competitors in the supply of any product segment of boilers in the EEA. This also applies on a national level – and therefore also to all the plausible affected boilers markets. The possible exception is Italy, where some market participants consider the Parties to compete

290 Questionnaire Q1 to boiler competitors, question D.C.B.3.
291 Questionnaire Q1 to boiler competitors, question D.C.B.3.
292 Questionnaire Q2 to boiler customers, question D.C.B.
293 Notifying Party's response to RFI 8, Annex 11, page 13.
294 Notifying Party's response to RFI 3, Annex 6, page 5
295 Form CO, Annex 12i, page 5.

closely (even though as seen above Carrier in particular considers [Carrier internal analysis of competitor boiler pricing in Italy]).

7.1.3.2.3. Customers have access to sufficient alternatives

(184) The Notifying Party explains that there will be sufficient competitors active on the relevant plausible boilers markets post-Transaction. Specifically with respect to residential boilers, the Notifying Party states that the market is '*characterised by strong competition with both key players such as Vaillant, Bosch, BDR Thermea and Ariston, all of whom the Parties estimate have larger or similar EEA market share to the combined entity post-Transaction, and also other players like Immergas, Groupe Atlantic and Ferroli, who also exert a notable competitive constraint on the Parties*'.[296] With respect to commercial/industrial boilers, the Notifying Party explains that this segment is '*very competitive, with the most significant competitors being Bosch, BDR Thermea, Vaillant, Groupe Atlantic and Ariston Group but also a number of other competitors who will also continue to exert a competitive constraint on the combined entity post-Transaction, such as Immergas, Ferroli, UNICAL, SIME, Biasi, Hoval and Cosmogas*'.[297]

(185) In the following, this section 7.1.3.2.3 will establish whether customers indeed have sufficient access to alternative suppliers on all plausible affected boilers markets.

(186) **First**, in most plausible affected markets considered in Table 3 above, the level of combined market share of the Parties is itself indicative of the presence of a number of competitors. Where competitor market share (estimates) are available – either specifically for the plausible affected market in question, or by analogy to other markets, these point as well to the presence of multiple competitors. Customers responding to the Commission's market investigation submit that they need to have access to at least three boiler suppliers in order to negotiate better prices and to have access to a full assortment of boilers.[298] The competitor market shares and positions described in Table 3 above suggest that more than three players will remain active on all plausible affected boiler markets (in some cases it cannot be determined which supplier(s) are accounted for by a large share attributed to 'others' – however it is likely that these are always multiple players).

(187) **Second**, alternative suppliers to the Parties are active in all plausible product segments of boilers.[299] This is in particular also evidenced by market participants' submissions on the suppliers they consider to be among the five largest for the different plausible product segments of boilers. Aside of Viessmann, Vaillant, Bosch, Ariston, Immergas and BDR Thermea are repeatedly mentioned by market participants.[300]

296 Form CO, paragraph 593.
297 Form CO, paragraph 621.
298 Questionnaire Q2 to boiler customers, question D.C.A.1.
299 Questionnaire Q1 to boiler competitors, question D.A.9.
300 Questionnaire Q1 to boiler competitors, question D.C.7 and Questionnaire Q2 to boiler customers, question D.C.A.4.

(188) **Third**, market participants generally consider the supply of boilers for all plausible boiler segments to be very or somewhat competitive.[301] The exception to this are customers considering the supply of boilers with a capacity of 1,000-19,999kW as not very competitive. The combined market shares of the Parties in the affected markets related to this product segment are however moderate, i.e. [20-30]% at EEA-level, [30-40]% in Belgium, [20-30]% in France, and [20-30]% in Italy.

(189) This perception of a generally competitive boilers market is further described by market participants. One competitor explains that there are a '[n]*umber of brands and* [the] *presence of* [them] *in almost all countries make*[s the] *market very competitive*'.[302] Another competitor states that it faces '*great competition*' in all countries.[303] One customer explains that '*there is more competition for lower power boilrs* (sic!) *because more manufacturers are available*'.[304]

(190) **Fourth**, internal documents of the Parties show that they are competing against a significant number of alternative boiler suppliers. For example, in a Carrier internal document, aside of Viessmann, Carrier also considers […]as rivals […].[305] […] against products from […].[306] Viessmann, in an internal document covering light commercial boilers, considers [competitor names] to be the three main players in Europe.[307]

(191) **Finally**, these findings also hold for those countries and plausible affected markets, for which some market participants raised the prospect of a strong combined market position by the Parties (Italy), and for those on which the Parties have a meaningful combined market share and the Transaction results in a non-negligible increment (as listed in Section 7.1.3.2.1: Belgium, Denmark, Lithuania and Romania).

(192) With respect to Italy, for which certain market participants indicated that the Parties may have a strong combined market position (and a combined market share above 40%) in commercial/industrial boilers, the market investigation revealed that multiple competitors are active in commercial/industrial boilers in Italy, including in all plausible boiler product segments for which affected markets arise (commercial/industrial boilers with a capacity between 70-399.9kW, commercial/industrial boilers with a capacity between 400-999.9kW, commercial/industrial boilers with a capacity between 1,000-19,999.kW, commercial/industrial gas fuelled boilers, commercial/industrial floor standing boilers, commercial/industrial condensing boilers). Specifically, three or more competitors responding to the market investigation indicated that they are active in these segments in Italy.[308]

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301 Questionnaire Q1 to boiler competitors, question D.C.2 and Questionnaire Q2 to boiler customers, question D.C.A.2. Further, market participants also specifically state that they consider there to be sufficient alternative suppliers of boilers using renewable sources of energy (Questionnaire Q1 to boiler competitors, question D.C.A.4 and Questionnaire Q2 to boiler customers, question D.C.A.A.3).

302 Questionnaire Q1 to boiler competitors, question D.C.3.

303 Questionnaire Q1 to boiler competitors, question D.C.3.

304 Questionnaire Q2 to boiler customers, question D.C.A.3.

305 Notifying Party's response to RFI 8, Annex 6, page 24.

306 Notifying Party's response to RFI 7, Annex 11, pages 44-46.

307 Notifying Party's response to RFI 3, Annex 10, page 9.

308 Questionnaire Q1 to boiler competitors, question D.C.1.

(193) With respect to Belgium, where on the plausible market for residential/light commercial floor standing boilers the Parties would have a combined market share above 30% ([30-40]%) and the HHI delta would be above 150, the market investigation revealed the presence of various competitors. Specifically, eight competitors responding to the market investigation indicated that they supply residential/light commercial boilers in Belgium.[309]

(194) With respect to Denmark, where on the plausible markets for commercial/industrial boilers with a capacity between 70-399.9kW and for commercial/industrial boilers with a capacity between 400-999.9kW the Parties would have a combined market share above 30% ([40-50]% and [40-50]% respectively) and the HHI delta would be above 150, the market investigation revealed the presence of various competitors. Specifically, four and two competitors responding to the market investigation indicated that they are active in these segments in Denmark respectively.[310] The two competitors indicating they are active on the latter market are among the main overall competitors to the Parties EEA-wide, and can therefore be expected to continue to constitute a significant competitive constraint.

(195) With respect to Lithuania, where on the plausible markets for commercial/industrial boilers with a capacity 70-399.9kW and for commercial/industrial condensing boilers the Parties would have a combined market share above 30% ([50-60]% and [40-50]% respectively) and the HHI delta would be above 150, the market investigation revealed the presence of various competitors. Specifically, two competitors responding to the market investigation indicated that they are active in these segments in Lithuania respectively.[311] The two competitors indicating they are active on these markets are among the main overall competitors to the Parties EEA-wide, and can therefore be expected to continue to constitute a significant competitive constraint.

(196) With respect to Romania, where on the plausible markets for all commercial/industrial boilers, commercial/industrial boilers with a capacity between 70-399.9kW, commercial/industrial boilers with a capacity between 400-999.9kW, commercial/industrial gas fuelled boilers, commercial industrial wall hung boilers, and commercial/industrial condensing boilers the Parties would have a combined market share above 30% ([30-40]%, [30-40]%, [30-40]%, [30-40]%, [30-40]%, and [30-40]% respectively) and the HHI delta would be above 150, the market investigation revealed the presence of various competitors. Specifically, at least three competitors responding to the market investigation indicated that they are active in these various segments in Romania.[312]

(197) Overall, it therefore appears that post-Transaction customers will have sufficient access to alternative boilers suppliers across the different plausible affected boilers markets. This applies specifically also to those countries and markets for which either some market participants raised the prospect of a strong combined position of the Parties or the market share estimates provided by the Notifying Party suggest a

309 Questionnaire Q1 to boiler competitors, question D.C.1.
310 Questionnaire Q1 to boiler competitors, question D.C.1.
311 Questionnaire Q1 to boiler competitors, question D.C.1.
312 Questionnaire Q1 to boiler competitors, question D.C.1.

combined market share above 30% and potentially a meaningful increase in concentration (HHI delta above 150).

7.1.3.2.4. Market participants do not expect a negative impact

(198) The Notifying Party submits that the Transaction does not give rise to competition concerns in relation to boilers.[313] Specifically, this is also the case with regards to residential[314] as well as commercial/industrial boilers.[315]

(199) Customers and competitors of the Parties responding to the market investigation consider that the Transaction will not have a negative impact on their own business or on any of the plausible affected boilers markets.

(200) **First**, market participants consider that the Transaction will not have a negative impact on their own business with respect to boilers. Specifically, large majorities of customers and competitors indicate that the Transaction will have no impact on their business with respect to boilers.[316]

(201) One competitor in this context explains: '*On the markets where we operate, the competition with Viessmann is relatively low and with Carrier I could say it is non-existent because we have different products. However, I do not rule out that some impact may appear in the future*'.[317] A customer states that it doesn't '*think there will be an impact in the near future, there is still competition*'.[318] A boiler installer explains that it does not have concerns due to the perceived complementarity of the Parties' boilers offerings: '*We buy and install different products from Riello (Carrier) and Viessmann*'.[319]

(202) **Second**, market participants do not expect the Transaction to have a negative impact in relation to the supply of boilers in the EEA. Specifically, large majorities of customers and competitors indicate that they do not expect price increases, or decreases in quality, choice or innovation, in relation to boilers.[320]

(203) A competitor explains that it '*does not expect the Transaction to lead to substantial impact on the* […] *boiler markets, as the Parties' businesses are relatively complimentary. Further, the combined market shares of the Parties in Europe are not that large*'.[321] Another competitor submits that '[t]*here are a lot of players active in the* […] *boiler markets in Europe. Therefore, the Company does not expect any negative impact on prices or innovation in these markets*'.[322]

313 Form CO, paragraph 550.
314 Form CO, paragraph 603.
315 Form CO, paragraph 646.
316 Questionnaire Q1 to boiler competitors, question D.D.1 and Questionnaire Q2 to boiler customers, question D.D.1.
317 Questionnaire Q1 to boiler competitors, question D.D.2.
318 Questionnaire Q2 to boiler customers, question D.D.2.
319 Questionnaire Q2 to boiler customers, question D.D.2.
320 Questionnaire Q1 to boiler competitors, question D.D.6 and Questionnaire Q2 to boiler customers, question D.D.5.
321 Minutes of a call with a competitor of 21 August 2023, paragraph 37.
322 Minutes of a call with a competitor of 30 August 2023, paragraph 26.

(204) **Third**, market participants do not expect the Transaction to have a negative impact in relation to any plausible product segment of boilers.[323] Specifically, a majority of competitors consider that the Transaction will not have an impact on competition with regards to any boiler product segment in the EEA.[324] Likewise, a majority of customers expect the Transaction not to have a negative impact with regards to any boiler product segment in the EEA country/countries in which the respective customer is active.[325]

(205) **Finally**, this absence of specific concerns by market participants also hold for those countries and plausible affected markets, for which some market participants raised the prospect of a strong combined market position by the Parties (Italy), and for those on which the Parties have a meaningful combined market share and the Transaction results in a non-negligible increment (as listed in Section 7.1.3.2.1: Belgium, Denmark, Lithuania and Romania).

(206) With respect to Italy, one competitor indicated that the Transaction '*could have some effects* […] *on domestic gas boilers*'.[326] However, other competitors do not describe a potential negative impact in Italy.[327] One customer based in Italy indicated that it expects the Transaction to have a negative impact with respect to the different types of commercial/industrial boilers.[328] However, no other customer indicated during the market investigation that a negative impact specifically in Italy is expected.[329] In any case, sufficient alternative suppliers of boilers remain active on the relevant plausible affected markets in Italy (as described in paragraph (192)).

(207) With respect to Belgium, neither competitors nor customers describe a potential negative impact of the Transaction in Belgium with respect to boilers.[330] The large majority of customers and competitors does not expect a negative impact with respect to residential/light commercial boilers.[331] In any case, sufficient alternative suppliers of boilers remain active on the relevant plausible affected market in Belgium (as described in paragraph (193)).

(208) With respect to Denmark, neither competitors nor customers describe a potential negative impact of the Transaction in Denmark with respect to boilers.[332] The large majority of customers and competitors does not expect a negative impact with respect to commercial/industrial boilers in the capacity ranges between 70-399.9kW and 400-999.9kW.[333] In any case, sufficient alternative suppliers of

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323 Questionnaire Q1 to boiler competitors, question D.D.4 and Questionnaire Q2 to boiler customers, question D.D.3.

324 Questionnaire Q1 to boiler competitors, question D.D.4.

325 Questionnaire Q2 to boiler customers, question D.D.3.

326 Questionnaire Q1 to boiler competitors, question D.D.7.

327 Questionnaire Q1 to boiler competitors, questions D.D.5 and D.D.7.

328 Questionnaire Q2 to boiler customers, question D.D.3.

329 See e.g. Questionnaire Q2 to boiler customers, questions D.D.4 and D.D.6.

330 Questionnaire Q1 to boiler competitors, questions D.D.5 and D.D.7 and Questionnaire Q2 to boiler customers, questions D.D.4 and D.D.6.

331 Questionnaire Q1 to boiler competitors, question D.D.4 and Questionnaire Q2 to boiler customers, question D.D.3.

332 Questionnaire Q1 to boiler competitors, questions D.D.5 and D.D.7 and Questionnaire Q2 to boiler customers, questions D.D.4 and D.D.6.

333 Questionnaire Q1 to boiler competitors, question D.D.4 and Questionnaire Q2 to boiler customers, question D.D.3.

boilers, among them main EEA-wide rivals of the Parties, remain active on the relevant plausible affected markets in Denmark (as described in paragraph (194)).

(209) With respect to Lithuania, neither competitors nor customers describe a potential negative impact of the Transaction in Lithuania with respect to boilers.[334] The large majority of customers and competitors does not expect a negative impact with respect to commercial/industrial boilers in the capacity range between 70 and 399.9kW and commercial/industrial condensing boilers.[335] In any case, sufficient alternative suppliers of boilers, specifically two main EEA-wide rivals of the Parties, remain active on the relevant plausible affected markets in Lithuania (as described in paragraph (195)).

(210) With respect to Romania, neither competitors nor customers describe a potential negative impact of the Transaction in Romania with respect to boilers.[336] The large majority of customers and competitors does not expect a negative impact with respect to all commercial/industrial boilers, commercial/industrial boilers with a capacity between 70-399.9kW, commercial/industrial boilers with a capacity between 400-999.9kW, commercial/industrial gas fuelled boilers, commercial industrial wall hung boilers, and commercial/industrial condensing boilers.[337] In any case, sufficient alternative suppliers of boilers remain active on the relevant plausible affected markets in Romania (as described in paragraph (196)).

(211) Overall, it therefore appears that the large majority of market participants does not consider that the Transaction will have a negative impact on their own business or on any of the plausible affected boilers markets. This applies specifically also to those countries and markets for which either some market participants raised the prospect of a strong combined position of the Parties or the market share estimates provided by the Notifying Party suggest a combined market share above 30% and a potentially meaningful increase in concentration (HHI delta above 150).

7.1.3.2.5. Conclusion

(212) As outlined in this Section 7.1.3.2, on most plausible affected boilers markets the combined market shares of the Parties remain moderate and the increment resulting from the Transaction remains small. However also on plausible affected boilers markets that see larger combined market shares and/or larger increments, the Parties are not close competitors, customers have sufficient access to alternative suppliers, and market participants do not expect the Transaction to have a negative impact.

(213) In view of the above, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market and the functioning of the EEA Agreement for the manufacture and supply of boilers.

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334 Questionnaire Q1 to boiler competitors, questions D.D.5 and D.D.7 and Questionnaire Q2 to boiler customers, questions D.D.4 and D.D.6.

335 Questionnaire Q1 to boiler competitors, question D.D.4 and Questionnaire Q2 to boiler customers, question D.D.3.

336 Questionnaire Q1 to boiler competitors, questions D.D.5 and D.D.7 and Questionnaire Q2 to boiler customers, questions D.D.4 and D.D.6.

337 Questionnaire Q1 to boiler competitors, question D.D.4 and Questionnaire Q2 to boiler customers, question D.D.3.

7.2. Vertical effects

7.2.1. Legal framework

(214) Pursuant to the Non-Horizontal Merger Guidelines,[338] vertical concentrations may significantly impede effective competition if they give rise to foreclosure, which can be: (i) input foreclosure, where the concentration is likely to raise costs of downstream rivals by restricting their access to an important input upstream; or (ii) customer foreclosure, where the concentration is likely to foreclose upstream rivals by restricting their access to a sufficient customer base downstream.

(215) For the combined entity to have the ability to engage in input foreclosure, the foreclosed product is required to be an important input (for instance when it represents a significant source of product differentiation for the downstream product), and the vertically integrated firm must have a significant degree of market power in the upstream market.[339] A further requirement of the finding of ability is that the combined entity would be able to negatively affect the overall availability of inputs for the downstream market (for instance when remaining upstream suppliers are less preferred alternatives).[340] Finally, the Commission is to consider on the basis of the information available to it, whether there are counter-strategies that rival firms would be likely to deploy, in order to be less reliant on the input concerned.[341]

(216) The combined entity will have incentives to engage in input foreclosure if such strategy is profitable. This depends on the trade-off between losses arising from restricting input sales and gains obtained upstream and downstream through diverted sales.[342]

(217) In order to constitute a significant impediment to effective competition, the input foreclosure strategy has to be found to lead to increased prices in the downstream market.[343] Further, the effect on competition needs to be assessed in light of efficiencies substantiated by the parties to the concentration.[344]

(218) Customer foreclosure may occur when a supplier integrates with an important customer in the downstream market. Because of this downstream presence, the combined entity may foreclose access to a sufficient customer base to its actual or potential rivals in the upstream market (the input market) and reduce their ability or incentive to compete.[345]

(219) The incentive to foreclose depends on the degree to which it is profitable. The combined entity faces a trade-off between the possible costs associated with not

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338 Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings ('Non-Horizontal Merger Guidelines'), OJ C 265, 18.10.2008, paragraph 7.

339 Non-Horizontal Merger Guidelines, paragraphs 34-35.

340 Non-Horizontal Merger Guidelines, paragraph 36.

341 Non-Horizontal Merger Guidelines, paragraph 38.

342 Non-Horizontal Merger Guidelines, paragraphs 40-46.

343 Non-Horizontal Merger Guidelines, paragraph 47.

344 Non-Horizontal Merger Guidelines, paragraph 52.

345 Non-Horizontal Merger Guidelines, paragraph 58.

procuring products from upstream rivals and the possible gains from doing so.[346] The incentive to engage in customer foreclosure further depends on the extent to which the upstream division of the combined entity can benefit from possibly higher price levels in the upstream market arising as a result of upstream rivals being foreclosed.[347]

(220) It is only when a sufficiently large fraction of upstream output is affected by the revenue decreases resulting from the vertical merger that the merger may significantly impede effective competition on the upstream market. If there remain a number of upstream competitors that are not affected, competition from those firms may be sufficient to prevent prices from rising in the upstream market and consequently, in the downstream market.[348] Further, the effect on competition needs to be assessed in light of efficiencies substantiated by the merging parties.[349]

7.2.2. Competitive assessment

(221) The Transaction leads to a vertical link between the upstream market for manufacturing and supply of commercial/industrial burners (i.e. burners above 70kW) and the downstream market for manufacturing and supply of commercial/industrial boilers.

(222) There are no upstream or downstream affected markets at EEA level. Carrier's market share is below 30% in any segmentation considered for the upstream market for the manufacturing and supply of commercial/industrial burners.[350] As discussed in Section 7.1.3, the Parties' combined market shares at EEA level are below 30% in any downstream market segmentation for boilers.

(223) Table 4 below shows the plausible affected downstream markets at national level, considering the Parties' combined market shares for the manufacture and supply of boilers in any of the plausible market segmentations discussed in Section 6.2.1 above. Based on Table 4, there are plausible downstream affected markets identified in Belgium, Denmark, Estonia, Latvia, Lithuania, Romania and Sweden.

(224) The upstream market share data presented in this section has been provided by the Notifying Party according to its best estimates, relying on data from the industry reports EHI or BRG, where available.[351]

346 Non-Horizontal Merger Guidelines, paragraph 68.
347 Non-Horizontal Merger Guidelines, paragraph 70.
348 Non-Horizontal Merger Guidelines, paragraph 74.
349 Non-Horizontal Merger Guidelines, paragraph 77.
350 Based on the best estimates of the Parties, according to the Form CO paragraph 1524, Table 141 and Annex 88a.
351 Form CO, paragraphs 1634 to 1636, 1660, Table 158 and Annex 88a.

Table 4 – Volume based market shares for vertically affected markets (2022)

Upstream				
		Carrier	**Viessmann**	**Combined**
EEA	**Commercial/ industrial burners (*)**	< 30%	0%	< 30%
	Commercial/ industrial 70 – 399.9kW burners (*)	< 30%	0%	< 30%
	Commercial/ industrial 400 – 999.9kW burners (*)	< 30%	0%	< 30%
	Commercial/ industrial > 1,000 kW burners (*)	< 30%	0%	< 30%
	Commercial/ industrial oil fuelled burners (*)	< 30%	0%	< 30%
	Commercial/ industrial gas fuelled burners (*)	< 30%	0%	< 30%
	Commercial/ industrial dual fuel burners (*)	< 30%	0%	< 30%
Downstream – national level				
Affected markets (**)[352]		**Carrier**	**Viessmann**	**Combined**
Belgium	**Commercial/ industrial 1,000 – 19,999.9kW boilers**	[0-5]%	[20-30]%	[30-40]%
Denmark	**Commercial/ industrial 70 – 399.9kW boilers**	[0-5]%	[40-50]%	[40-50]%
	Commercial/ industrial 400 – 999.9kW boilers	[0-5]%	[40-50]%	[40-50]%
	Commercial/ industrial wall hung boilers	[0-5]%	[50-60]%	[50-60]%

352 Table 4 does not include downstream markets in Bulgaria because […] (Form CO, paragraph 1669 and Table 161). The combined downstream market share of the parties for commercial/industrial boilers in Bulgaria exceeded [30-40]% in a few segments: (i) [30-40]% in boilers between 0-34,9kW; (ii) [30-40]% in gas boilers; (iii) [30-40]% in wall hung boilers, (iv) [30-40]% in condensing boilers; also, Viessmann's downstream market share for commercial/industrial boilers in Bulgaria was [40-50]% in wall hung boilers. For completion, the competitive assessment in Sections 7.2.3 and 7.2.4 applies also to any potential vertical relationships between the upstream commercial/industrial burners and downstream commercial/industrial boilers in Bulgaria.

Estonia	**Commercial/ industrial 70 – 399.9kW boilers**	[0-5]%	[40-50]%	[40-50]%
	Commercial/ industrial condensing boilers	[0-5]%	[30-40]%	[30-40]%
Latvia	**Commercial/ industrial 70 – 399.9kW boilers**	[0-5]%	[50-60]%	[40-50]%
	Commercial/ industrial gas fuelled boilers	[0-5]%	[30-40]%	[30-40]%
	Commercial/ industrial condensing boilers	[0-5]%	[40-50]%	[40-50]%
Lithuania	**Commercial/ industrial 70 – 399.9kW boilers**	[5-10]%	[50-60]%	[50-60]%
	Commercial/ industrial 400 – 999.9kW boilers	[0-5]%	[50-60]%	[50-60]%
	Commercial/ industrial 1,000 – 19,999.9kW boilers	[0-5]%	[40-50]%	[40-50]%
	Commercial/ industrial condensing boilers	[5-10]%	[40-50]%	[40-50]%
Romania	**All commercial/ industrial boilers**	[10-20]%	[10-20]%	[30-40]%
	Commercial/ industrial 70 – 399.9kW boilers	[10-20]%	[20-30]%	[30-40]%
	Commercial/ industrial 400 – 999.9kW boilers	[10-20]%	[20-30]%	[30-40]%
	Commercial/ industrial gas fuelled boilers	[10-20]%	[20-30]%	[30-40]%
	Commercial/ industrial wall hung boilers	[10-20]%	[20-30]%	[30-40]%
	Commercial/ industrial condensing boilers	[10-20]%	[20-30]%	[30-40]%
Sweden	**Commercial/ industrial 70 – 399.9kW boilers**	[0-5]%	[30-40]%	[30-40]%
	Commercial/ industrial 400 – 999.9kW boilers	[0-5]%	[30-40]%	[30-40]%

	Commercial/ industrial gas fuelled boilers	[0-5]%	[30-40]%	[30-40]%
	Commercial/ industrial oil fuelled boilers	[0-5]%	[30-40]%	[30-40]%
	Commercial/ industrial wall hung boilers	[0-5]%	[40-50]%	[40-50]%
	Commercial/ industrial condensing boilers	[0-5]%	[30-40]%	[30-40]%

(*):Notifying Party's response to RFI 13 and Annex 88a - Notifying Party's best estimates, relying on EHI or BRG data where available; (**): Notifying Party's response to RFI 8, Annex 12. BRG data adjusted for correction of Parties' own sales, or Parties' own estimates

7.2.3. Input foreclosure

7.2.3.1. The Notifying Party's view

(225) The Notifying Party submits that the Transaction does not raise concerns as the Combined Entity will have no ability nor incentive to engage in input foreclosure. The Notifying Party argues that:

(a) The Combined Entity would not have enough market power to be able to engage in input foreclosure given: (i) the Combined Entity's market shares (below 30% for any plausible market segments at EEA level); and (ii) the relatively broad choice of alternatives suppliers in the upstream burner market;[353]

(b) The Combined Entity would have no incentive to foreclose because it would be more profitable for the Combined Entity to continue supplying burners to third parties, including competing boiler manufacturers, downstream;[354]

(c) Even if the Combined Entity engaged in input foreclosure, the impact on effective competition, in absolute terms, would be insignificant and would not result in the Combined Entity's downstream rivals being marginalised or forced out of the market. [355]

7.2.3.2. Commission's assessment

7.2.3.2.1. Ability to foreclose

(226) In order for input foreclosure to raise competition concerns, the relevant input must be an important input for the downstream product and the Combined Entity must have a significant degree of power in the upstream market.

353 Form CO paragraphs 1626 and 1640; submission of 28 November 2023 on vertical effects, paragraphs 22-32.

354 Form CO paragraphs 1756-1759; submission of 28 November 2023 on vertical effects, paragraphs 33-49.

355 Submission of 28 November 2023 on vertical effects, paragraphs 50-51.

(227) The market investigation indicated that burners constitute a critical input for the production and/or sale of boilers.[356] However, at the same time the market investigation confirmed the Notifying Party's argument that Carrier is not an important upstream supplier, because there are many alternative established burner suppliers in the EEA from which boiler OEMs and installers or resellers could source to satisfy their needs.

(228) The customers that replied to the market investigation indicated that they source burners from multiple suppliers – over 50% of the non-boiler OEM customers and all of the boiler OEM customers indicated that they source from at least 3 or 5 suppliers.[357] Customers named expressly the following burner suppliers that are active in the EEA: Weishaupt, Ariston Group, BDR Thermea, Vaillant, Hoval, Ferroli, Dreizler, Unigas, Hermann, Hartmann, Saacke, Oilon, Bosch, Baltur, Nuway, Dunphy and Polidoro.[358] In particular, boiler OEMs indicated that they each source less than 10% of their burner requirements from Carrier, considering any plausible burner segmentations.[359]

(229) The majority of customers indicated that, in their opinion, the transaction would have neutral/no impact on their ability to source burners in the countries in which they are active.[360] OEM customers explicitly stated that '*we have enough alternatives for procurement*',[361] '*we are not affected re supply of burners, we have our suppliers*',[362] '*no impact foreseen across EEA*'.[363]

(230) Moreover, the market investigation indicated that, from a burner suppliers perspective, switching production between different types of burners would not be difficult and would not require high costs, because as a competitor explained '[…] *all the burners manufactures have a long history, at least 50 years long* […] *nearly all the current burners players are generalists and they supply almost all the segments*.'[364] Although starting production of a new burner type completely from zero would not take a short time and could be a challenge in terms of technology development, in practice most burner suppliers already cover a wide range of possible segments in their production lines, which would allow them to adapt or switch production.[365]

(231) In view of the above, the Commission considers that the Combined Entity does not have significant market power in the upstream market and is not able to negatively affect the overall availability of burners for the downstream market because: (i) its upstream market share is below 30%, and (ii) the market investigation responses

356 Questionnaire Q2 to burner customers, question E.C.7. Questionnaire Q1 to burner OEM customers, question E.C.6.

357 Questionnaire Q1 to burner OEM customers, question E.C.3. Questionnaire Q2 to burner customers, question E.C.1.

358 Questionnaire Q2 to burner customers, questions E.C.4 and E.C.15. Questionnaire Q1 to burner OEM customers, questions E.C.3 and E.C.16.

359 Questionnaire Q1 to burner OEM customers, question E.C.2.

360 Questionnaire Q2 to burner customers, question E.D.8. Questionnaire Q1 to burner OEM customers, question E.D.8.

361 Questionnaire Q1 to burner OEM customers, question E.D.9.

362 Questionnaire Q1 to burner OEM customers, question E.D.9.

363 Questionnaire Q1 to burner OEM customers, question E.D.9.

364 Questionnaire Q1 to burner competitors, questions F.A.7 and F.C.A.6.

365 Questionnaire Q1 to burner competitors, question F.C.A.6.

indicate that downstream customers would have sufficient alternative suppliers to which they may switch to address their needs of burners.

(232) Accordingly, the Commission considers that the Combined Entity has no ability to engage in an input foreclosure strategy post-Transaction.

7.2.3.2.2. Incentive to foreclose

(233) In addition to the lack of ability, the Combined Entity has no clear incentive to engage in input foreclosure.

(234) Carrier is already vertically integrated. This is an indication that, if input foreclosure were profitable, Carrier would already not be supplying burners to third parties in the downstream market pre-Transaction.[366]

(235) The Transaction does not appear to change the incentives for Carrier to engage in input foreclosure because, first, Carrier supplies to Viessmann are very small - less than […]% of Carrier's sales of commercial/industrial burners to third parties in 2022.[367] [368] Second, even if Carrier were to supply 100% of Viessmann's burner needs, Carrier would still not have any advantage from an input foreclosure strategy because Viessmann cannot absorb all of Carrier's production. In 2022, Carrier's sales of commercial/industrial burners to third parties exceeds in more than […] Viessmann's overall demand for commercial/industrial burners in the EEA.[369]

(236) In this context, the Commission considers that the Combined Entity has no clear incentive to engage in input foreclosure in any of the countries where affected markets have been identified.

7.2.3.2.3. Effects

(237) The Commission also considers that the Transaction would not lead to a significant detrimental effect on competition downstream because, in view of the number of alternative burner suppliers available upstream, downstream boiler customers would have sufficient countervailing buyer power to protect themselves from input foreclosure attempts by the Combined Entity.

7.2.3.3. Conclusion

(238) In conclusion, the Transaction is unlikely to raise input foreclosure concerns and does not give rise to serious doubts as to its compatibility with the internal market or a substantial part thereof in relation to the possibility for boilers manufacturers, installers or resellers to procure burners in the EEA.

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366 Submission of 28 November 2023 on vertical effects, paragraphs 12.

367 Notifying Party response to RFI 7, Annex 36, indicated that Carrier's total sales of commercial/industrial burners in 2022 amounted to approximately […].

368 Carrier's total supplies of commercial/industrial burners to Viessman amounted to […] (Form CO, paragraph 1543, Table 143). Table 143 shows that Carrier supplied Viessmann only in [...] in 2021 and 2022.

369 Form CO paragraph 1570, Table 150 indicates that Viessmann's total purchasers of burners in 2022 amounted to[Target's purchasing costs]; its total purchases in 2021 and 2020 were below this amount.

7.2.4. Customer foreclosure

7.2.4.1. The Notifying Party's view

(239) The Notifying Party submits that the Transaction does not raise concerns as the Combined Entity will have no ability nor incentive to engage in customer foreclosure. The Notifying Party argues that:

(a) The Target is only a small customer on the market for burners used in commercial / industrial boilers (and its potential sub-segments) and does not represent a notable share of the demand that would allow the ability to foreclose customers. Rather, post-Transaction, there would be a sufficiently large alternative customer base to be supplied with burners used in commercial / industrial boilers.[370]

(b) The Combined Entity would have no incentive to foreclose customers because a foreclosure strategy would negatively impact the Target's existing downstream business if the Target refused to supply commercial/industrial boilers that require a specific third-party burner; [371] and

(c) a hypothetical customer foreclosure strategy would have no effect on competition.[372]

7.2.4.2. Commission's assessment

7.2.4.2.1. Ability to foreclose

(240) Customer foreclosure may raise concerns when a supplier integrates with an important customer in the downstream market. This is not the case in the present Transaction, because the Notifying Party demonstrated that Viessmann is not an important customer of commercial/industrial burners.

(241) First, Viessmann is not an important customer for Carrier specifically, since Viessmann sources from Carrier less than [Target's burner demand]% of its overall commercial/industrial burner requirements.[373] Second, even considering Viessmann total share of demand, it represents only a small share (approximately [Target's purchasing share]%) of the commercial/industrial burners in the EEA market.[374] Viessmann estimates that, at national level, its share of purchases of commercial/industrial burners is below 15% in any EEA Member State.[375]

(242) Furthermore, considering that the scope of the geographic market for the supply of commercial/industrial burners is at least EEA-wide (as concluded in Section 6.3.2.),

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370 Form CO, paragraph 1778.

371 Form CO, paragraph 1782.

372 Form CO, paragraph 1784.

373 Viessmann's total purchases of burners in 2022 amounted to approximately [Target's purchasing costs] (Form CO paragraph 1570, Table 150), while Viessmann's total purchases from Carrier in 2022 were below [Target's purchase figure] (Form CO, paragraph 1543, Table 143)

374 Pursuant to the Notifying Party response to RFI 7, Annex 36, the total value of the EEA market for commercial/industrial burners in 2022 is approximately […]. Viessmann's total purchases of burners in 2022 amounted to approximately [Target's purchasing costs].

375 Notifying Party's response to RFI 8, paragraph 57. From the total [Target's units] commercial/industrial boiler units that Viessmann sold in 2022 in the EEA, only [Target's units] units included burners sourced from third parties (Form CO, paragraph 1538).

regardless of the Parties' market shares at national level in certain segments of the commercial/industrial boilers downstream market that correspond to affected markets (indicated in Table 4), the Combined Entity will not have the ability to foreclose access to downstream customers at EEA level.

(243) The Commission considers that upstream suppliers of burners have sufficient economic alternatives to sell their output in the downstream market, and therefore the Combined Entity would not have the ability to foreclose access to downstream markets by reducing its purchases of burners.

7.2.4.2.2. Incentive to foreclose

(244) The market investigation confirms the information from the Notifying Party that customers that acquire boilers have the possibility and frequently do choose the specific supplier of the burner that goes into the boiler.[376] Customer choice of the burner may be driven by brand, technical quality, or installation or maintenance services offered by the burner supplier.[377]

(245) The Commission considers that the Combined Entity will have no incentive to foreclose because it will need to consider a broad range of burner suppliers to accommodate possible burner preferences of the customers that acquire the Combined Entity's boilers.

7.2.4.2.3. Effects

(246) Given Viessmann's small share as a customer of burners, a possible customer foreclosure strategy by the Combined Entity would not have a significant detrimental effect on burner suppliers upstream. Accordingly, the Commission considers that the Transaction would not significantly impede effective competition on the upstream market.

7.2.4.3. Conclusion

(247) In conclusion, the Transaction is unlikely to raise customer foreclosure concerns and does not give rise to serious doubts as to its compatibility with the internal market or a substantial part thereof in relation to the supply of burners to downstream boiler customers in Belgium, Denmark, Estonia, Latvia, Lithuania, Romania and Sweden.

376 Form CO, paragraphs 1779, 1783 and 1787. Minutes of a call with a competitor of 25 October 2023, paragraph 4. Minutes of a call with a competitor of 26 October 2023, paragraph 8. Minutes of a call with a competitor of 23 September 2023, paragraph 16.

377 Minutes of a call with a competitor of 26 October 2023, paragraph 8. Minutes of a call with a competitor of 10 November 2023, paragraph 4.

8. CONCLUSION

(248) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President