

**089 – Offshore Norge**  
**RECOMMENDED GUIDELINES**  
**FOR**  
**COMPETITION LAW**  
**AWARENESS IN OFFSHORE**  
**NORGE**

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Table of contents

1. Introduction..... 3

2. Background..... 3

3. Legal Starting Points..... 4

4. Recommendations..... 6

Appendix:..... 7

COMPETITION LAW AWARENESS IN Offshore Norge ..... 7

## **1. Introduction**

The purpose of competition law is to enhance economic efficiency by promoting and safeguarding competition and by punishing anti-competitive behavior.

Offshore Norge is an independent association representing the Norwegian oil and gas industry and as such will always act in accordance with competition law.

During industry level discussions, due regard must be paid to potential competition law concerns. No discussion or exchange of information among competitors which could reasonably be viewed as anti-competitive should take place.

The aim of this report is to help individuals appreciate the legal risks involved and to handle them by conducting their affairs lawfully. The working group's general recommendation to Offshore Norge and its members is to not balance on the knife-edge, but rather err on the side of caution with regard to the spirit of competition law principles.

The paper is organized as follows: In section 2, the background to this working group and its mandate is outlined. Section 3 then describes how present and evolving competition law poses identifiable risks to Offshore Norge members. In light of this discussion, some proposals are presented in section 4 on how to handle the problems identified. As a practical means of disseminating the main messages in this report, a list of don'ts attached as an appendix.

## **2. Background**

This section provides the background to this working group and its mandate.

Article 81 of the Treaty of Rome applies to "associations of undertakings". Individual Offshore Norge members risk being fined if infringement of article 81 has taken place. This liability follows directly from a proposed new EU Regulation which includes a specific rule that explicitly imposes joint and several liability on trade and industry associations and their members. Moreover, it could be argued that this liability regime even exists under the current regulatory framework.

Against this background, a working group was established by Offshore Norge in January 2002. Its mandate was to propose a set of practical guidelines for individuals acting in a Offshore Norge context, either as Offshore Norge' employees or on behalf of Offshore Norge' members. According to the mandate, the proposal must be put to the Offshore Norge Legal Committee and, if endorsed by the Committee, formally approved by the Offshore Norge Committee for Industry Policy.

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According to its Articles of Association, Offshore Norge is an organization comprising approximately twenty oil companies and about fifty other companies doing business upstream on the NCS.

To perform both labor market relevant functions for its members as employers, and to promote its members' shared interest in rational and predictable policies and legal frameworks for upstream activity, Offshore Norge is organized in four permanent committees and several subcommittees. The four permanent committees are the Labor Market Committee, the Committee for Exploration and Resource Development, the Construction and Operation Committee, and the Committee for Trade and Commerce.

The group has comprised the following persons:

Endre Stavang, Norsk Hydro – Chair  
Signe Thomassen/Torhild Rossum, Norske Shell  
Hans Olav Holmen, BP  
Oluf Bjørndal, Offshore Norge

The working group has had 7 meetings. During the course of these meetings, the mandates of each Offshore Norge' subdivision have been screened for potential contradictions with competition law principles. In this screening process, the group has met with Offshore Norge' employees with detailed knowledge of the activities in each of Offshore Norge' subdivisions. Moreover, the group has met with lawyers from NHO and OGP.

### **3. Legal Starting Points**

The most important competition law concept governing relationships between competitors is independence. Thus the guiding principle for any Offshore Norge member should be to act unilaterally and independently of their competitors.

However, it is recognized that far from all agreements or forms of cooperation between companies on the NCS violate the competition laws. It is the view of this working group that co-operation between license-holders in individual licenses necessary for the production of hydrocarbons must as a general rule be regarded as permissible. The Norwegian authorities have also required the license-holders to cooperate for this purpose and such cooperation is a prerequisite for business activity on the Norwegian Continental Shelf.

What kind of activities might then have illegitimate anti-competitive effects? Let's survey the most important types of potential violation:

First, in a classic illegal "cartel", a group of competitors systematically collude to their mutual advantage - for example, by agreeing not to sell their products below specified minimum prices, or agreeing not to sell their products to each other's designated customers or in each other's allocated territories. Participation in such a cartel is viewed as the most severe infringement of Article 81, and will almost always result in the imposition of fines.

Secondly, the Commission takes an extremely severe view of any agreement, understanding or concerted practice between competitors relating to the price at which goods are to be sold. For this purpose, "prices" encompasses all matters relating to price - including collective discounts, rebates or profit margins, the collective fixing of base prices and the maintenance of common price lists. The use of common key contract terms may pose difficulties in relation to competition law. Coordination of purchasing or product specifications may also represent a problem in terms of competition law and will need to be subjected to a substantive legal evaluation in each individual case in order to ascertain whether the intended form of cooperation should be avoided.

Thirdly, the application of Article 81 to "concerted practices" means that, even in the absence of an explicit agreement on prices, there may be an infringement if Offshore Norge member's prices are coordinated or if information on prices or price increases is shared. The mere fact of parallel price movements is not sufficient to create an infringement, but if there is also evidence of contacts between the competing parties, this may lead to an inference of a concerted practice regarding prices.

Fourth, an agreement or concerted practice between competitors as to the price or other terms to be submitted by bidders in response to an invitation to tender will generally be prohibited under Article 81. There will also be an infringement where, as a result of collusion, competitors have knowledge of each other's proposal tenders even though there is no actual agreement on the price or other terms to be submitted in response to the invitation to tender.

Collusion which leads a company to refrain from a bid is equally dangerous.

Fifth, participation in agreements or concerted practices designed to limit, control or share markets (product markets, customers or geographic markets) is strictly prohibited. Because one objective of EU/EEA law is to ensure a Single European Market, market sharing is viewed with particular severity. No agreement or concerted practice which involves allocation among competitors of national markets within the EU/EEA could ever be subject to an exemption.

Sixth, although any competitor is entitled to take a genuinely independent decision to increase or cut its production or capacity (e.g. based on its own forecast of demand), Article 81 specifically prohibits undertakings from agreeing to limit their production or capacity.

Exemptions for production or capacity limitation agreements can be obtained only in very specific circumstances - for example, where the Commission recognizes the need for a "crisis cartel" under economic conditions where there is excess capacity throughout an industry.

Agreements between partners regarding production levels must be confined to reservoir management, technical or operational reasons such as maintenance or tie-in operations for the relevant production license.

Seventh, although it is recognized that it is important to the competitiveness of Offshore Norge members that they know as much as possible about the market in which they operate and about their competitors, exchanges of information between Offshore Norge members may lead others to suspect improper collusion. The exchange of data relating to *individual* companies - such as figures on quantities of oil, gas and NGL produced and sold, prices, discounts, plans to increase or

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reduce production or capacity, etc. - is normally prohibited under Article 81 - except where that information is so outdated that it could not be used as the basis of any concerted practice. However, Offshore Norge members are not prohibited from independently obtaining information about competitors from independent third parties or from obtaining publicly available information.

It is primarily up to Offshore Norge members themselves to take the steps necessary to prevent the violations listed above. However, while membership of a trade association is of course not in itself prohibited, Article 81 applies to “associations of undertakings”. In theory, and probably also on practice, individual Offshore Norge members risk fines for infringement of Article 81. As stated above, this liability follows directly from the proposed new Regulation, which includes a specific rule which explicitly imposes joint and several liability on trade and industry associations and their members.

Against this background, it is imperative that not only Offshore Norge employees but also Offshore Norge members take utmost care to ensure that Offshore Norge-related activities have no anti-competitive effect.

#### **4. Recommendations**

##### **1. Proposal for amendments to the mandates of the Offshore Norge committees**

In order to eliminate any potential doubt regarding the lawfulness of present Offshore Norge mandates and action plans for the Offshore Norge committees, it is recommended that all mandates be provided with the addendum “with due regard to competition compliance”.

##### **2. Offshore Norge employee competence development**

It is recommended that companies participating in Offshore Norge activities, and Offshore Norge itself, offer competition compliance training to their staff. Moreover, Offshore Norge (JUR) is encouraged to organize a legal seminar on competition compliance on the NCS to sustain the high quality of legal work in this area.

##### **3. Competition Law Awareness in Offshore Norge Guidelines**

The working group recommends that the enclosed Guidelines be issued by Offshore Norge to its own staff and Offshore Norge members.

See Appendix

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## **Appendix:**

### **COMPETITION LAW AWARENESS IN OFFSHORE NORGE**

The purpose of competition law is to enhance economic efficiency by promoting and safeguarding competition and by punishing anti-competitive behavior.

As an independent association for the Norwegian petroleum industry, Offshore Norge will always comply with competition law.

During industry level discussions, due regard must be paid to potential competition law concerns. No discussion or exchange of information among competitors which could reasonably be viewed as anticompetitive should take place.

In order to minimize the risk of falling foul of these concerns, it is essential that participants in Offshore Norge meetings observe the following guidelines:

#### **DO NOT:**

- discuss prices, margins, discounts, credit terms and other essential commercial terms relating to your company's products or services with your competitors;
- discuss tendering or contract terms in any way that might give the slightest indication of anticompetitive behavior;
- discuss quotas or market division/market sharing with your competitors;
- discuss anything else that might reasonably be viewed as anti-competitive in nature;
- supply production figures to your competitors or discuss shutting down production or producing limited volumes.

You should always seek legal advice if you are in any doubt, even the slightest doubt.

As a matter of good practice, Offshore Norge will always issue agendas before meetings, and record minutes of proceedings.

Offshore Norge urges all its members to offer competition law training to its staff.