

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: Maureen K. Ohlhausen, Acting Chairman
Terrell McSweeney

In the Matter of

Enbridge Inc.,

a corporation, and

Spectra Energy Corp,

a corporation.

Docket No. C-4604

COMPLAINT

Pursuant to the provisions of the Federal Trade Commission Act and the Clayton Act, and by virtue of the authority vested in it by said Acts, the Federal Trade Commission (“Commission”), having reason to believe that Respondent Enbridge Inc. (“Enbridge”) has entered into a transaction with Respondent Spectra Energy Corp (“Spectra”), that such transaction, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the Federal Trade Commission Act, as amended, 15 U.S.C. § 45, and that a proceeding in respect thereof would be in the public interest, hereby issues this complaint, stating its charges as follows.

I. RESPONDENTS

Enbridge

1. Respondent Enbridge is a corporation organized, existing, and doing business under, and by virtue of, the laws of Canada, with its office and principal place of business located at 425 1st Street S.W., Suite 200, Fifth Avenue Place, Calgary, Alberta Canada T2P 3L8. Enbridge’s principal U.S. subsidiary, Enbridge Energy Partners, L.P., is a master limited partnership with its principal place of business located at 1100 Louisiana Street, Suite 3300, Houston, Texas 77002.

2. Respondent Enbridge is, and at all times relevant herein has been, engaged in, among other things, the gathering, processing, transportation, and storage of natural gas in the United States.
3. Respondent Enbridge and the corporate entities under its control are, and at all times relevant herein have been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act as amended, 15 U.S.C. § 12, and Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

Spectra

4. Respondent Spectra is a corporation organized, existing, and doing business under, and by virtue of, the laws of the State of Delaware, with its office and principal place of business located at 5400 Westheimer Court, Houston, Texas 77056.
5. Respondent Spectra is, and at all times relevant herein has been, engaged in, among other things, the gathering, processing, transportation, and storage of natural gas in the United States.
6. Respondent Spectra and the corporate entities under its control are, and at all times relevant herein have been, engaged in commerce, as “commerce” is defined in Section 1 of the Clayton Act as amended, 15 U.S.C. § 12, and Section 4 of the FTC Act, as amended, 15 U.S.C. § 44.

II. THE PROPOSED MERGER

7. Respondent Enbridge and affiliated companies under its control entered into a merger agreement (“Merger Agreement”) with Spectra, dated September 5, 2016, pursuant to which Sand Merger Sub, Inc., a newly created direct wholly owned subsidiary of Enbridge, will merge with and into Spectra, with Spectra surviving the merger (the “Merger”). On September 5, 2016, the Merger’s total estimated dollar value was \$28 billion.
8. The Merger is subject to Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18.

III. THE RELEVANT MARKET

9. A relevant product market in which to analyze the effects of the Merger is natural gas pipeline transportation. Natural gas producers contract with natural gas pipelines to connect to and transport natural gas from wells to processing plants or interconnects with other natural gas pipelines.

10. Relevant geographic markets in which to analyze the effects of the Merger are no broader than the Green Canyon, Walker Ridge, and Keathley Canyon offshore natural gas producing areas in the Gulf of Mexico (collectively and individually referred to as “Gulf Producing Areas”). The Gulf Producing Areas are off the coast of Louisiana.
11. No economic or practical alternative to natural gas pipeline transportation from wells exists. Other natural gas delivery methods are significantly more costly, less reliable, and potentially more hazardous than pipeline transportation.

IV. MARKET STRUCTURE

12. Enbridge, through a wholly owned subsidiary, owns and operates the Walker Ridge Pipeline. The Walker Ridge Pipeline is a natural-gas offshore gathering and processing system that consists of 8-inch and 10-inch diameter pipelines that deliver natural gas north from or through portions of the Walker Ridge and Green Canyon natural gas producing areas to an interconnect at Ship Shoal 332A, a block in the Ship Shoal natural gas producing area.
13. Spectra has an indirect ownership interest in the Discovery Pipeline. The Discovery Pipeline is a natural-gas offshore gathering, transmission, and processing system that consists of a mainline pipeline ranging from 12 inches to 30 inches in diameter. The Discovery Pipeline includes the Keathley Canyon Connector, a 20-inch pipeline that delivers natural gas north from or through portions of the Keathley Canyon, Walker Ridge, and Green Canyon natural gas producing areas to an interconnect with the Discovery Pipeline. The Discovery Pipeline connects directly to shore.
14. Spectra’s indirect ownership interest in the Discovery Pipeline stems from its ownership interest in DCP Midstream, LLC (“DCP”). Spectra and the Phillips 66 Company each own 50 percent interests in DCP. DCP has an effective 36.1 percent limited partner interest in DCP Midstream Partners, LP (“DPM”). DCP also owns (i) DCP Midstream GP, LP (“DPM’s General Partner”), the entity that is the general partner of DPM and holds a 2 percent general partner interest in DPM, as well as all of DPM’s incentive distribution rights; and (ii) DCP Midstream GP, LLC (“DPM GP LLC”), the entity that is the general partner of DPM’s General Partner.
15. DPM owns a 40 percent interest in Discovery Product Services LLC. Williams Partners L.P. (“Williams”) owns the remaining 60 percent. Discovery Product Services LLC is the sole member of Discovery Gas Transmission LLC, which is the sole owner of the Discovery Pipeline. Williams is the operator of the Discovery Pipeline. Through its indirect ownership interest in DPM, Spectra has access to competitively sensitive information of the Discovery Pipeline and significant voting rights.

16. The Walker Ridge Pipeline and the Discovery Pipeline are the closest two pipelines to wells drilled in certain blocks in the Gulf Producing Areas, including blocks that lie between the pipelines. The length of pipeline needed is a major factor in determining the overall cost for a pipeline to connect to a well. More distant pipelines likely face higher costs to connect to wells, resulting in higher natural gas pipeline transportation prices for natural gas producers. As such, the Walker Ridge Pipeline and the Discovery Pipeline are the two pipelines most likely to compete successfully for projects in certain blocks in the Gulf Producing Areas.
17. The Merger, if consummated, will result in Respondent Enbridge having ownership interests in the two closest and likely lowest-cost pipelines that provide or can provide natural gas pipeline transportation from blocks, or a subset of blocks, in the Gulf Producing Areas.
18. The Merger likely would reduce competition by allowing Respondent Enbridge and its affiliate that owns and operates the Walker Ridge Pipeline access to competitively sensitive information for the Discovery Pipeline. Respondent Enbridge may use this competitively sensitive information when competing with the Discovery Pipeline, increasing prices for natural gas producers. The exchange of information may also increase the likelihood of tacit or explicit coordination between the Walker Ridge Pipeline and the Discovery Pipeline.
19. The Merger likely would reduce competition by allowing Respondent Enbridge to exercise voting rights over the Discovery Pipeline's significant capital expenditures, including expansions needed to connect to wells. Respondent Enbridge will have the incentive and ability to reduce the competitiveness of the Discovery Pipeline by preventing DPM from participating in bids to connect to wells in competition with Enbridge's Walker Ridge Pipeline.
20. The Merger likely would reduce competition by facilitating coordination between the Walker Ridge Pipeline and the Discovery Pipeline.

V. BARRIERS TO ENTRY

21. There are substantial barriers to entering any Gulf Producing Areas. Building pipeline underwater is an expensive and lengthy process, often taking several years from the initial proposal to the end of construction. Entry into the relevant market would not be timely, likely, or sufficient in scope to deter or counteract the anticompetitive effects of the Merger.

VI. EFFECTS OF THE MERGER

22. The effects of the Merger, if consummated, may be substantially to lessen competition and tend to create a monopoly in the relevant market in violation of Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45, by:
- a. increasing the likelihood that Respondent Enbridge would unilaterally exercise market power in the relevant market; and
 - b. increasing the likelihood of collusive or coordinated interaction between the remaining competitors in the relevant market.

VII. VIOLATIONS CHARGED

23. The Merger, if consummated, would violate Section 7 of the Clayton Act, as amended, 15 U.S.C. § 18, and Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.
24. The Merger Agreement entered into by Respondents Enbridge and Spectra constitutes a violation of Section 5 of the FTC Act, as amended, 15 U.S.C. § 45.

IN WITNESS WHEREOF, the Federal Trade Commission, having caused this Complaint to be signed by the Secretary and its official seal affixed, at Washington, D.C., this twenty-second day of March, 2017, issues its complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: