Commission conditionally approves ADNOC's acquisition of Covestro under the Foreign Subsidies Regulation

Brussels, 14 November 2025

The European Commission has approved, under the Foreign Subsidies Regulation ('FSR'), the acquisition by Abu Dhabi National Oil Company PJSC ('**ADNOC**') of Covestro AG ('**Covestro**'). The approval is conditional upon full compliance with the commitments offered by the parties.

Today's decision follows the opening of an in-depth investigation into the proposed acquisition.

ADNOC, headquartered in the United Arab Emirates ('UAE'), is a State-owned oil and gas producer and the national oil company of Abu Dhabi.

Covestro (formerly Bayer MaterialScience AG), a publicly listed company incorporated in Germany, is a chemicals producer with a particular focus on the supply of high-performance polymers and components for such polymers. It serves a wide variety of sectors and currently has around 18,000 employees.

The Commission's findings

During its in-depth investigation, the Commission gathered further information from the parties, as well as feedback from the parties' competitors, and found that:

- **ADNOC and Covestro received foreign subsidies** from the UAE that are liable to distort the EU internal market;
- The foreign subsidies received include an **unlimited State guarantee** to ADNOC, as well as a committed **capital increase** by ADNOC into Covestro and certain advantageous **tax measures**;
- **The identified foreign subsidies could have potentially led to negative effects on competition in the acquisition process**. In this regard, the Commission notably considered the unduly favourable conditions offered by ADNOC for the acquisition of Covestro, including the capital increase, which may have deterred other investors from making an offer; and
- The identified foreign subsidies **would have also likely led to a distortion of competition in the EU internal market** with respect to the combined entity's activities after the transaction. Under the FSR, unlimited State guarantees are considered 'most likely to distort the internal market', and as such liable to distort the combined entity's activities in the internal market.

Overall, the identified foreign subsidies would have artificially improved the capacity of the merged entity to finance its activities in the EU internal market and increased its indifference to risk. As a result, the merged entity could have engaged in more aggressive investment strategies than absent the subsidies, to the detriment of other market participants and competitive conditions in the internal market.

The proposed remedies

To address the Commission's competition concerns, ADNOC offered:

- **To adapt its articles of association** to ensure that they do not deviate from ordinary UAE insolvency law, thereby removing the unlimited State guarantee; and
- **To share Covestro's patents in the area of sustainability** with certain market participants at transparent terms and conditions set in advance. This commitment will benefit competitors that are particularly reliant on access to Covestro's sustainability technology.

The Commission found that those commitments will (i) remove the existence of the unlimited guarantee to ADNOC; and that (ii) the benefit to the market operators stemming from the access to Covestro sustainability patents will balance out the negative effects of the transaction on the internal market.

The commitments are valid for a period of 10 years. The commitments relating to Covestro's patents will continue to be in force after the expiry of the commitment period, for the lifetime of any licensing agreement entered under this period.

Considering the positive feedback received in the context of the market test, the Commission concluded that the commitments offered effectively address the Commission's concerns, in particular thanks to the potential of spillover effects for innovation in the chemical industry at large and in particular in its sustainability segment, and hence that the transaction, as modified by the commitments, would no longer raise competition concerns.

The decision is conditional upon full compliance with the commitments. Under the supervision of the Commission, an independent trustee will monitor their implementation.

The procedure under the Foreign Subsidies Regulation

The FSR started to apply on 12 July 2023. The FSR enables the Commission to address distortions caused by foreign subsidies and thereby allows the EU to ensure a level playing field for all companies operating in the internal market while remaining open to trade and investment.

According to the FSR, companies must notify concentrations to the Commission when at least one of the merging companies, the acquired company or the joint venture is established in the EU and generates an EU turnover of at least €500 million, and when the parties were granted at least €50 million in combined aggregate foreign financial contributions from third countries in the three years prior to the concentration.

By the end of its 90-working day in-depth investigation the Commission may (i) accept commitments proposed by the company if they fully and effectively remedy the distortion, (ii) prohibit the concentration, or (iii) issue a no-objection decision.

More information will be available on the Commission's competition website, in the Commission's public case register under the case number FS.100156.

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Quote(s):

"We have carefully assessed the foreign subsidies involved in this transaction to ensure a fair and competitive internal market. Our review confirmed that the commitments offered by ADNOC effectively address the potential negative effects by allowing market participants to access key Covestro patents in the field of sustainability. Clear, pre-defined access to these patents will enable others to innovate and advance research in an area that is critical for Europe’s future. We welcome the constructive cooperation shown by both ADNOC and Covestro in reaching this solution."
Teresa Ribera, Executive Vice-President for Clean, Just and Competitive Transition - 14/11/2025

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