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KFTC CONDITIONALLY APPROVES DAESAN PETROCHEMICAL RESTRUCTURING: KEY TAKEAWAYS

On August 20, 2026, the Korea Fair Trade Commission (the "**KFTC**") announced the conditional approval (the "**Decision**") of a transaction involving Lotte Chemical Corporation ("**LCC**"), Lotte Daesan Petrochem Corporation ("**Lotte Daesan Petrochem**"), HD Hyundai Oilbank Co., Ltd. ("**HDO**") and HD Hyundai Chemical Co., Ltd. ("**HDC**") as part of the Daesan No. 1 petrochemical restructuring project (the "**Daesan No. 1 Project**" or the "**Transaction**"). The KFTC concluded that the Transaction could substantially restrict competition in the Korean markets for low-density polyethylene ("**LDPE**") and ethylene vinyl acetate ("**EVA**") and therefore imposed a package of behavioral remedies, including restrictions on price adjustments, obligations to maintain supply, prohibitions on certain information exchanges, and limits on concurrent appointments and personnel transfers.

The significance of the Decision is that it is the KFTC's first clearance decision for several petrochemical restructuring projects currently under way in Korea. The Decision is particularly noteworthy because, although the parties are not leading players in the market and their combined market shares were below the threshold for a transaction to be presumed anticompetitive based on the KFTC's review standards, the KFTC nevertheless identified competition concerns and imposed an unusually detailed set of behavioral remedies for a period of five years. The Decision is likely to serve as an important reference point for future merger reviews, particularly in concentrated industries undergoing restructuring. Accordingly, we provide below a summary of the Transaction and its principal practical implications.

I. OVERVIEW OF THE TRANSACTION AND REMEDIES

The Transaction is the first restructuring project under the government's Petrochemical Industry Restructuring Roadmap (the "**Roadmap**"). The Roadmap was adopted in response to prolonged global oversupply in Korea's petrochemical industry, driven in large part by capacity expansion in China. HDC was established in 2014 as a joint venture owned 60% by HDO and 40% by LCC. Pursuant to the Transaction, LCC will spin off its Daesan plant into Lotte Daesan Petrochem, which will then be merged into HDC. As consideration, LCC will acquire additional 10% of the shares in HDC. The Transaction will convert the joint venture from a 60:40 ownership structure to a 50:50 ownership structure with joint control, while integrating the parties' facilities at Daesan Industrial Complex.

The parties submitted a request for voluntary preliminary review on November 26, 2025. The KFTC subsequently examined 12 product markets, involving eight horizontal overlaps and eight vertical overlaps. After approximately nine months of review, the KFTC raised competition concerns only in the Korean LDPE and EVA markets and imposed behavioral remedies relating to restrictions on price adjustments, obligations to maintain supply, prohibitions on certain information exchanges, and limits on concurrent appointments and personnel transfers. These remedies were developed through the remedy proposal procedure under Article 13-2 of the Monopoly Regulation and Fair Trade Act (the "**MRFTA**"), taking into account the parties' proposed remedies and comments from stakeholders and experts.

II. IMPLICATIONS AND KEY TAKEAWAYS

1. Heightened Scrutiny of Mergers in Oligopolistic Markets

The KFTC's principal concern was the reduction in the number of competitors. Before the Transaction, there were four suppliers in each of the Korean LDPE and EVA markets; the Transaction would reduce such number to three and further entrench an oligopolistic structure. Notably, the parties are not leading players in the market and their combined market shares were below the threshold for a transaction to be presumed anticompetitive. Based on production capacity, the three surviving suppliers would account for approximately 50%, 25%, and 25% of the market. The KFTC nevertheless concluded that the Transaction raised substantive competition concerns.

The KFTC also looked beyond market shares and concentration levels. First, the KFTC viewed the Transaction as a combination of an existing player (LCC) and a newer entrant (HDC) that would eliminate the competitive pressure created by HDC's entry. Second, the KFTC was concerned that product rationalization following the Transaction could lead to the discontinuation of lower-margin, lower-priced products. This could reduce customer choice and lead to price increases. Those concerns were reinforced by the specific demand and capacity conditions in the markets. Most customers are small and medium-sized processors whose production processes require specific products, making it difficult to switch suppliers. Competing producers are already operating at utilization rates of 95-100%, leaving little spare capacity to replace lost supply.

It is not yet clear whether this reasoning is specific to restructuring transactions or signals a broader shift in the KFTC's approach to oligopolistic markets. The practical implication, however, is clear: low combined shares and market shares below the statutory threshold do not, by themselves, eliminate substantive competition risk in concentrated markets in the eyes of the KFTC. Companies considering transactions in such markets should assess these issues early in the process. In particular, they should examine the degree of market transparency and product homogeneity; any plans to discontinue or reduce supply of particular product types; customers' ability to switch suppliers; competitors' spare capacity; and the competitive role that either party has played as a recent entrant.

2. Prior Collusion and Parallel Restructuring May Heighten Concerns About Coordinated Effects

The KFTC also relied on the LDPE market's history of collusion in assessing coordinated effects. During a period of oversupply in the 1990s, suppliers in the Korean LDPE market colluded for more than a decade. In December 2007, the KFTC imposed administrative fines totaling approximately KRW 54.1 billion on seven petrochemical producers for fixing LDPE sales prices from April 1994 to April 2005.

The KFTC also expressly considered that several petrochemical restructuring projects are proceeding in parallel. If the Yeosu No. 1 Project, another petrochemical restructuring project currently under review by the KFTC, is completed as planned, LCC would hold interests in multiple joint ventures, creating ownership links among competing businesses. The KFTC considered that such links could create a significant risk of coordinated effects among the remaining suppliers.

Companies contemplating transactions involving markets or companies with a history of collusion should therefore expect close scrutiny of coordinated effects where competitors are connected through joint ventures or equity interests, or where a series of restructuring transactions could create such links. They should be prepared to explain how current market conditions differ from those that prevailed during the earlier collusion and to implement robust safeguards against the flow of competitively sensitive information through ownership, governance, or personnel links.

3. A New Benchmark for Behavioral Remedies and the Value of Voluntary Remedy Proposals

Although behavioral remedies were imposed in connection with the Transaction, their scope and level of detail go well beyond those commonly seen in prior cases. First, the information-sharing restrictions extend beyond the parties to the Transaction to other group companies, including Korean affiliates that directly or indirectly engage in the LDPE or EVA businesses. The broad scope may be attributable to the ownership links that could arise if the Yeosu No. 1 Project is completed. Second, the restrictions on concurrent appointments and personnel transfers extend beyond the usual scope. The prohibition on concurrent appointments applies to employees as well as directors and officers. Employees who return from an affiliate following a secondment or transfer are also barred from working in relevant business functions for one year. Third, the entire remedy package will remain in force for five years.

The remedy proposal procedure is equally significant. The KFTC used the parties' proposed remedies as a starting point and refined them after consulting stakeholders and experts. For transactions in which competition concerns can be anticipated, an early and carefully designed remedy proposal may provide a practical means of managing both the review process and the scope of the final remedies.

This precedent may extend well beyond the petrochemical sector. Transactions presenting material concerns about coordinated effects may face similar or stricter remedies. Remedy proposals should therefore be designed with practical implementation in mind. The proposal should address the persons and entities subject to information barriers (including whether affiliates or shareholders are covered), restrictions on concurrent appointments and personnel transfers, objective pricing benchmarks, protocols for responding to supply requests, and systems for identifying and segregating competitively sensitive information.

4. Supplier, Employment and Regional Impacts May Receive Greater Attention

The KFTC's press release also noted that the downturn in the petrochemical industry has placed strain on suppliers. Separately from the formal remedies, HDC intends to develop measures to support its suppliers, with details to be announced after further discussions with the KFTC. Although these measures are not legally binding and do not form part of the clearance conditions, their inclusion in the press release suggests that the effects of facility integration on suppliers, local economies, and employment may nonetheless become a practical focus in reviews of restructuring transactions.

Companies contemplating transactions involving facility integration, plant closures, or centralized procurement should therefore assess these broader effects alongside the competition analysis. Developing credible measures to support suppliers and preserve employment in advance may help address stakeholder concerns and facilitate the review process.

III. CONCLUSION

The Transaction illustrates that government support for industry restructuring does not result in relaxed scrutiny. The review process was both swift and thorough: the KFTC moved swiftly to review the first restructuring transaction under the Roadmap, while imposing detailed behavioral remedies in the markets where it identified competition concerns. Because the KFTC has signaled that it will scrutinize follow-on transactions, including the Yeosu No. 1 Project, closely, companies pursuing restructuring transactions should prepare an integrated strategy addressing competition analysis, remedy proposals, and potential effects on suppliers and employment.

Related Professionals

Hyuna Kim
Partner
T 82.2.3404.6519
E hyuna.kim@bkl.co.kr

Kee Won Shin
Senior Foreign Attorney (New York)
T 82.2.3404.0272
E keewon.shin@bkl.co.kr

Junyeun Cho
Partner
T 82.2.3404.7559
E junyeun.cho@bkl.co.kr

Youngseok Kim
Partner
T 82.2.3404.7466
E youngseok.kim@bkl.co.kr