

EU deficit rules to remain suspended in 2022



Rules against overspending by EU governments will remain suspended through 2022, leaving more time for stimulus plans to boost the economy to pre-crisis levels, the European Commission said on Wednesday.

“The recovery remains uneven and uncertainty is still high, so economic policy must remain supportive in both 2021 and 2022,” EU Executive Vice President Valdis Dombrovskis said.

The EU executive suspended the public spending rules for national governments in March 2020 as the European Union sank into its deepest recession since World War II, thanks to Covid-19 restrictions.

Based on current forecasts, “the general escape clause will stay activated in 2022 but no longer so as of 2023.”

Trailing the strong recoveries in the US and China, the economy in Europe fell into a second recession early this year and is not expected to regain its pre-crisis form until later

in 2022.

The EU has been criticised for doing less to boost its economy than other powers, but has pinned its hopes on a 750 billion euro recovery programme, whose effects should begin to kick in later this year.

“A bleak winter is giving way to a bright spring for the European economy,” EU economic affairs commissioner Paolo Gentiloni said.

Telling the truth

Known as the Stability and Growth Pact, the EU’s spending rules limit deficit spending at three percent of the overall economy and debt at 60 percent.

The rules are often violated but, while countries in theory risk penalties for ignoring them, no government has ever been sanctioned.

The limit on debt is often overshoot even in normal times and 13 countries are currently above the limit including Italy, Spain and France where debt is over 100 percent of GDP.

The pact mainly empowers the EU executive and fellow member states to keep a careful eye on how national governments run their budgets.

The commission, with the backing of the member states, also signals what reforms need to be carried out in order to get a thumbs up from the EU.

The fiscal rules are however quite controversial, with several member states complaining that they are ineffective and outdated.

There is also an argument over the actual danger of running a high debt when the financial markets seem to be unbothered by the public debt piles in countries like Italy, France or

Belgium.

The EU-27 are committed to reforming the pact, with some hopeful that this will be done before the end of the suspension, which is now most likely on January 1, 2023.

But Gentiloni warned that reforming the rules will be highly controversial, with the so-called “frugal” countries in the north of Europe reluctant to show leniency to their southern, more indebted neighbours.

“We will work very strongly for this goal but when I’m saying that it is not an easy one, I am only telling the truth,” he told reporters.

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New QFC member set to become global portfolio manager of spot LNG



A Qatar Financial Centre (QFC) newcomer will establish its position as a global portfolio manager of spot LNG, or liquefied natural gas trades that will have immediate local knock-on effects, after Doha expands its LNG production from the present 110mn tonnes per annum.

This outcome is one among the “unsung” economic benefits that will follow North Field Expansion (NFE), which is also set to enhance the prospects of asset management industry in the country, the QFC said in an article.

The NFE project will not only bring up natural gas from underground, but also other valuable hydrocarbons for export and domestic use, it said, pointing out that associated hydrocarbons destined for export include 260,000 barrels per day of condensate and 11,000t/d of liquefied petroleum gas, valued at roughly \$3.05bn annually (using posted 2020 average prices).

“The additional income earned through hydrocarbon exports will increasingly make Qatar a destination for asset managers and other financial institutions,” the QFC said. As imports of construction inputs and machinery wane with most infrastructure projects coming close to completion, Qatar’s trade surplus is likely to register bigger in the years ahead.

“Once NFE-related exports commence in late 2025, export

earnings are destined to reach still higher. Whereas much of the immediate proceeds are destined to the Ministry of Finance and Qatar Investment Authority, there is a progressively stronger case for specialised asset managers to locate in Doha close to their future investors,” QFC said.

In tandem, it said, financial institutions in the country will increasingly be called upon to provide a variety of sophisticated products to Qatari firms with a growing international footprint.

As Qatar’s economy continues to grow at home in terms of complexity, and abroad with its varied connections, the financial sector is set to grow substantially.

As Qatar looks ahead, it is destined to leverage its natural gas-focused competitive cost advantages, global network, existing industrial base, innovative focus and high-profile investments to become an attractive and rewarding business destination.

The QFC plays a key part of the country’s development journey, which it looks forward to supporting with vigour and indirectly offering firms on its platform noteworthy prospects.

The first certain phase concerns the North Field East that comprises an approximate \$28.75bn of investments – half of which has received a final investment decision as of February 2021.

Beyond that, Qatar Petroleum, or QP, is appraising different areas of the North Field to possibly award a subsequent expansion phase within the next three years.

The QP has made this NFE investment at an opportune time, which will allow it to capture more global LNG market share and gain footholds in new markets as many competitors pull back from major projects, according to the QFC article.

Another “unsung” benefit is the North field’s expansion would drive local manufacturing opportunities. Additionally, there will be 4,000t/y of ethane for use as feedstock in Qatar’s growing petrochemicals sector. This hike equates to nearly 50% of existing 2020 export capacity, or 36.4% of current domestic

base quantities.

A combination of these NFE ethane volumes and those from Barzan enables Qatar to produce in future a greater variety as well as more complex petrochemicals, such as those that will originate from the joint venture with Chevron Phillips (70% owned by QP) using the Middle East's largest 1.9mn t/y ethane cracker in Ras Laffan to start production in 2025.

This is critical to the local economy, according to Gulf Petrochemicals and Chemicals Association, which recently outlined that with oil at \$65 a barrel, crude producers can earn \$15 per barrel by refining their output and an extra \$30 a barrel on top of that by converting it into petrochemicals.

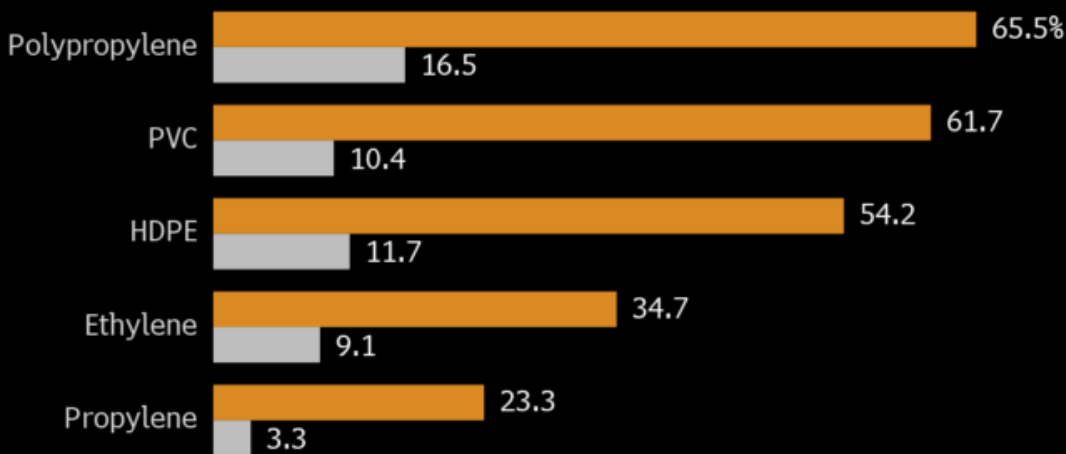
"As Qatar continues its drive to diversify economically, local manufacturing will play a key role," the QFC article said.

Big Oil's Chemical Profits Show Inflationary Double Whammy

Shutdowns Easing

U.S. chemical capacity is slowly returning after the Texas freeze

■ Capacity offline (March) ■ Capacity offline (May)



Source: ICIS

Bloomberg

(Bloomberg) – Drive down any highway in the world and you’ll see countless reminders that the price of Big Oil’s primary product is rising. What’s less obvious is how the inflationary pressures from transport fuel are being amplified by another part of this sprawling industry – chemicals.

The cost of the building blocks for everything from plastics to paint has surged over the past year. That’s great for companies like Exxon Mobil Corp. and Royal Dutch Shell Plc, whose petrochemical units just earned their biggest profit in years.

But it’s unwelcome news for consumers as commodities from copper to lumber are already testing record highs. The price of materials like PVC and ethylene, staples of construction and manufacturing, have risen to the highest in at least seven years on a combination of pandemic-driven demand, the broader post-Covid recovery and once-in-a generation supply disruptions.

“The demand is coming from food, packaging, medical goods, protective equipment,” said Oswald Clint, senior research

analysts at Sanford C Bernstein Ltd. “Does it add to inflation? Yes.”

Oil has advanced steadily this year, coming within a whisker of \$70 a barrel in London this week. Yet even as higher crude prices boosted earnings from the oil majors’ exploration and production units, the performance of their petrochemical businesses really stood out.

In the first three months of this year, Exxon made \$1.4 billion from chemicals, more than in any quarter since at least 2014, when oil prices were above \$100 a barrel. More than a fifth of Shell’s \$3.23 billion of adjusted net income for the period came from the division, the highest in four years.

Global Winners

It’s not just the oil majors seeing sales surge. Chemicals was the fastest growing unit at Indian conglomerate Reliance Industries Ltd. in the first three months of 2021, compared with the prior quarter.

Other winners from the boom include Brazil’s Braskem SA, Indorama Ventures PCL from Thailand, Celanese Corp., Dow Inc. and LyondellBasell Industries NV in the U.S., and Saudi Basic Industries Corp., according to Jason Miner, Bloomberg Intelligence chemicals analyst.

“It’s a story of the strength of the intermediates,” Shell chief financial officer Jessica Uhl told investors on April 29, referring to compounds that are derived from basic petrochemical feedstocks. Demand is growing as the economy recovers, notably in Asia, she said.

For example, the price of styrene monomer – used in medical devices and latex – surpassed \$1,000 a ton in the first quarter, Uhl said. The average price of the chemical at the port of Rotterdam in the Netherlands was about \$700 a ton in

2020, according to data compiled by Bloomberg.

The global vaccination drive and large stimulus packages are boosting consumer sentiment and demand from health care, packaging, consumer durables, textiles and automobiles, Reliance said in its earnings presentation last week. Demand for polymers and polyesters has been particularly strong in India, it said.

Trouble in Texas

This isn't just a story about strong demand. The chemicals industry is also just coming back from several major supply disruptions.

Back-to-back hurricanes on the U.S. Gulf Coast last year were followed by unusually cold weather in February, which knocked out much of the electricity grid in Texas and forced giant petrochemical facilities to shut down. Two months later, many are still not back working at full-capacity.

The region has become a dominant player in the world's plastics trade thanks to natural gas liquids – a cheap petrochemical feedstock – coming out of the Texas shale boom. For example, North America is the world's biggest producer of high-density polyethylene, used in everything from shampoo bottles to snowboards. It's also the largest exporter of PVC.

"The big freeze sent a shockwave through global petrochemical markets," Vienna-based consultant JBC Energy GmbH said in a note. While almost all of the plants that were disabled by the weather have been brought back online, inventories of many chemicals are still low, keeping prices elevated, it said.

The price of ethylene, the chemical building block for everything from plastics to solvents, reached a seven-year high of 59.5 cents a pound in March, according to ICIS, a data and analytics provider. PVC reached a record high of \$1,625 a ton that month.

Even recycled plastic is in high demand, with the price of polyethylene terephthalate, or PET, used for drinks bottles and packaged food, reaching a 10-year high of 1,250 euros (\$1,519) a metric ton in northwest Europe on Wednesday, according to S&P Global Platts. The price remained at that level Friday.

“If you were able to get back up and running quickly after the storm” you found a marketplace desperate for your product that “would almost pay any price to get it,” said Jeremy Pafford, head of North America at ICIS.

The tight supply and demand balance for many chemicals looks set to continue in the second quarter, Exxon Chief Executive Officer Darren Woods said on a call with analysts last week. Dow and LyondellBasell have said they are currently selling everything they produce and don’t anticipate being able to restock inventories until the third or fourth quarter.

To manufacture enough chemicals to satisfy customer demand and start building up its stockpiles again, the U.S. needs “four dull months” without any further disruption, said Pafford.

But hurricane season is just around the corner, and the global economy does not have time on its side.

The world is expected to see a surge in spending in the coming months as many countries end their lockdowns and cooped-up consumers dip into their savings or stimulus checks. That could happen alongside the continuation of pandemic-driven trends such as high demand for plastic medical goods as new strains of Covid-19 trigger fresh outbreaks around the world.

“Demand for personal protective equipment is unlikely to fade soon,” said Armaan Ashraf, an analyst at consultant FGE. “E-commerce, retail, durable goods demand is also likely to remain strong through the rest of this year as well.”

(Updates PET price in 17th paragraph)

US fossilfuel companies took billions in taxbreaks and then laid off thousands



Fossil-fuel companies have received billions of dollars in tax benefits from the US government as part of coronavirus relief measures, only to lay off tens of thousands of their workers during the pandemic, new figures reveal.

A group of 77 firms involved in the extraction of oil, gas and coal received \$8.2bn under tax-code changes that formed part of a major pandemic stimulus bill passed by Congress last year. Five of these companies also got benefits from the paycheck protection program, totaling more than \$30m.

Despite this, almost every one of the fossil-fuel companies laid off workers, with a more than 58,000 people losing their

jobs since the onset of the pandemic, or around 16% of the combined workforces.

The largest beneficiary of government assistance has been Marathon Petroleum, which has got \$2.1bn in tax benefits.

However, in the year to December 2020, the Ohio-based refining company laid off 1,920 workers, or around 9% of its workforce. As a comparative ratio, Marathon has received around \$1m for each worker it made redundant, according to BailoutWatch, a nonprofit advocacy group that analyzed Securities and Exchange Commission filings to compile all the data.

Phillips 66, Vistra Corp, National Oilwell Varco and Valero were the next largest beneficiaries of the tax-code changes, with all of them shedding jobs in the past year. In the case of National Oilwell Varco, a Houston-headquartered drilling supply company, 22% of the workforce was fired, despite federal government tax assistance amounting to \$591m.

Other major oil and gas companies including Devon Energy and Occidental Petroleum also took in major pandemic tax benefits in the last year while also shedding thousands of workers.

"I'm not surprised that these companies took advantage of these tax benefits, but I'm horrified by the layoffs after they got this money," said Chris Kuveke, a researcher at BailoutWatch.

"Last year's stimulus was about keeping the economy going, but these companies didn't use these resources to retain their workers. These are companies that are polluting the environment, increasing the deadliness of the pandemic and letting go of their workers."

The tax benefits stems from a change in the Cares Act from March last year that allowed companies that had made a loss since 2013 to use this to offset their taxes, receiving this refund as a payment.

The extended carry-back benefit was embraced by the oil and gas industry, with many companies suffering losses even before Covid-19 hit. Pandemic shutdowns then severely curtailed travel by people for business or pleasure, dealing a major blow to fossil-fuel companies through the plummeting use of oil, with the price of a barrel of oil even entering negative territory at one point last year.

A spokesman for Marathon, the one company to answer questions on the layoffs, said the business made “the very difficult decision” to reduce its workforce, providing severance and extended healthcare benefits to those affected.

“These difficult decisions were part of a broader, comprehensive effort, which also included implementing strict capital discipline and overall expense management to lower our cost structure, to improve the company’s resiliency, and re-position it for long-term success,” the spokesman said. “We look forward to better days ahead for everyone as the nation emerges from the pandemic.”

This expense management didn’t extend to the pay of Marathon’s chief executive, Michael Hennigan, who made \$15.5m in 2020. According to BailoutWatch, Marathon’s chief executive is paid 99 times the average company worker’s salary.

“They had no problem paying their executives for good performance when they didn’t perform well,” said Kuveke. “There is no problem with working Americans retaining their jobs but I don’t believe we should subsidize an industry that has been supported by the government for the past 100 years. It’s time to stop subsidizing them and start facing the climate crisis.”

Faced by growing political and societal pressure in their role in the climate crisis and the deaths of millions of people each year through air pollution, the oil and gas industry has sought to paint itself as the protector of thousands of

American workers who face joblessness due to Joe Biden's climate policies.

"Targeting specific industries with new taxes would only undermine the nation's economic recovery and jeopardize good-paying jobs, including union jobs," said Frank Macchiarola, senior vice-president for policy, economic and regulatory affairs at lobby group American Petroleum Institute, following Biden's announcement of a new climate-focused infrastructure plan on Wednesday.

"It's important to note that our industry receives no special tax treatment, and we will continue to advocate for a tax code that supports a level playing field for all economic sectors along with policies that sustain and grow the billions of dollars in government revenue that we help generate."

Rosneft Returns to Profit, Signaling 2020 Dividend Payments



Russian oil giant Rosneft PJSC returned to profit in the fourth quarter of 2020 after signing a multibillion dollar deal to sell a share of its Vostok Oil mega-project in the Arctic to trader Trafigura Group.

The results signal that the producer will be able to pay a dividend for 2020 even after historic crude-price declines and production cuts. The company reported a record quarterly net income of 324 billion rubles (\$4.36 billion) in the three months through December, above analyst estimates. That offset earlier losses, resulting in a full-year profit of 147 billion rubles.

“Despite all the difficulties of 2020, the company has achieved a net income, which will be the basis for the distribution of dividends,” Chief Executive Officer Igor Sechin said in a statement on Friday. Rosneft’s management will recommend the board to make 2020 payouts to shareholders fully in line with the company’s dividend policy, First Vice-President Didier Casimiro said on a call with investors.

Big Oil has mostly reported disappointing fourth-quarter earnings, signaling the industry's recovery from the pandemic will be long. While most international producers, such as Royal Dutch Shell Plc or Exxon Mobil Corp., remain committed to making or even raising dividend payouts, investors question just how soon the sector will be able to improve its cash flow.

Russian oil companies have been under even more pressure due to output constraints that are part of the country's deal with the Organization of Petroleum of Exporting Countries. Accounting for 40% of the nation's total crude production, Rosneft bears the biggest burden.

Based on its full-year results, the producer, which distributes a half of its net income to shareholders, is set to pay some 7 rubles per share in 2020, according to estimates from BCS Global Markets and Sova Capital. That would be Rosneft's smallest shareholder payout since 2016. The company scrapped its interim dividend for 2020 after losing money in the first half of the year.

Rosneft shares advanced as much as 1.1% to 506.50 rubles, the highest level in more than three weeks.

Arctic Foray

Rosneft expects Vostok Oil, an ambitious Arctic development valued at \$85 billion, to drive future dividend yields and shareholder value, Sechin said.

Rosneft received 7 billion euros from Trafigura for 10% of Vostok Oil in December, according to the financial statement. The deal allowed "for the practical start of the execution of the project," Sechin said.

The Vostok project envisions production of some 25 million tons of oil per year, or around 500,000 barrels a day, in 2024, and twice as much in 2027. At its peak, the remote

development is set to produce as much as 100 million tons per year. That compares with Russia's total crude oil and condensate production of 513 million tons for 2020.

Rosneft is in discussions with other potential partners in Vostok Oil, Casimiro said, adding that international trading houses, global oil majors and crude-importing nations like India are interested. Russia will keep a controlling stake in the development, he said.

Europe open: Shares lower as rally runs out of steam



(Sharecast News) – European shares were slightly lower on Tuesday as the rally of recent days ran out of steam.

The benchmark pan-European Stoxx 600 index fell **0.10%**, after gains driven by vaccine roll-outs and hopes the US Covid-19 relief package would make swift progress through Congress.

Germany's DAX index was down **0.13%**, despite official data showing German exports rose in December.

In equity news, shares in Danish hearing aid maker Demant topped the gainers. The company said it expected to return to strong growth in 2021 as Covid-19 lockdowns were lifted and reported earnings for the second half of 2020 above expectations.

Shares in German leasing firm Grenke rebounded after Monday's slump, gaining **7%** after chief operating officer Mark Kindermann, resigned. He told the firm's supervisory board that it would be necessary to revise "preliminary assessments" of the firm's financial performance once audits had been completed.

UK online supermarket and logistics provider Ocado slumped despite reporting a **68.8%** rise in full-year core earnings.

Spreadex analyst Connor Campbell said "it appears investors have potentially been put off by Ocado's planned **£700m** in capital expenditure, and a subdued outlook for UK retail growth in the coming 12 months".

TUI ticked higher even as the travel company slumped to a €699m first-quarter loss as Covid-19 lockdowns continued to hammer demand.

Total SE rose **1.1%** after the company said earnings recovered in the fourth quarter as oil prices recovered, although a hit from writedowns on assets due to the Covid-19 pandemic saw it plunge to a **\$7.2bn** net loss for fiscal 2020.

Turkey wealth fund ready to spend after year of M&A



A Turkish flag flies on a passenger ferry with the Bosphorus in the background in Istanbul. Turkey's sovereign wealth fund plans to invest \$15bn in industries including energy, petrochemicals and gold mining as part of a programme designed to reduce the economy's vulnerabilities.

Eskom Bailout Emerging as Equity Swap by Biggest Bondholder



South Africa's biggest pot of available cash – 1.91 trillion rand (\$128 billion) of civil-servant pensions and unemployment funds managed by the Public Investment Corp. – is emerging as the key to rescuing the debt-stricken national power monopoly.

The money manager has approached its parent agency, the National Treasury, with a proposal to ease the 464 billion-rand load of obligations crushing Eskom Holdings SOC Ltd., signaling officials are gearing up for the complex financial and political operation to convert about 95 billion rand of Eskom debt held by the PIC into equity.

“There's still a need to undertake a due diligence to confirm the viability of this proposal,” the Treasury said in a Dec. 11 response to questions from Bloomberg, its first statement connecting the PIC to an Eskom bailout. “It is important that the PIC be allowed space to follow its internal governance processes in line with its standard investment evaluation process to mitigate against any possible breach of governance or what could be perceived as political interference.”

While international investors are cheering efforts to contrive a durable fix for Eskom, the idea of tapping the fund is already drawing warnings over the potential fallout. The swap, which could put Eskom into technical default, would pit the government against its own employees, set a precedent that could see other flailing state-owned companies knocking on the PIC's door and rattle a private sector concerned that its money could be next.

Speculation of a PIC role has intensified in recent weeks since President Cyril Ramaphosa told Bloomberg that "innovative ideas" were being discussed, and Finance Minister Tito Mboweni said the fund was willing to contribute to a solution for Eskom. Labor, business and the government last week agreed to work jointly to reduce the utility's debt in the so-called Eskom Social Compact.

"The sustainability of Eskom's debt and the risks it poses to state finances are now arousing political interests who are increasingly interested in grasping a solution," said Peter Attard Montalto, head of capital markets research at Intellidex. "Eskom's debt needs to be solved."

The scope of the task has increased since Goldman Sachs Group Inc. described the utility in 2017 as the biggest threat to South Africa's economy, which is just exiting its longest recession in 28 years. Eskom's inability to provide reliable power since 2008, when outages began, has crimped output and disrupted everything from aluminum smelters to household kitchens.

The deterioration was worsened by years of looting under Ramaphosa's predecessor, Jacob Zuma, leading to the 2019 bailout that totaled 128 billion rand over three years. But that's merely keeping the wolf from the door and the search for a long-term solution is under way for the too-big-to-fail operation.

‘Materially Cheap’

Plans to rescue Eskom, which has said it can't afford to service more than 200 billion rand of debt, have also included dipping into the surpluses of state-run unemployment and compensation funds and converting some of its mostly government-guaranteed debt into sovereign bonds.

Credit analysts have been talking up Eskom as a 2021 top pick, citing the government's efforts, says Lutz Roehmeyer, the chief investment officer at Capitulum Asset Management GmbH in Berlin, who holds Eskom dollar bonds and isn't adding any more. "Investors are very bullish on the name and expect the sovereign to solve the problem," he said.

JPMorgan Chase & Co. this week called Eskom bonds "materially cheap" compared with sovereign debt.

Multiple Bailouts

South Africa's Eskom is surviving on government support.

"As long as debt declines and becomes more sustainable, that's really the number one priority," said Guido Chamorro, co-head of emerging-market hard-currency debt at Pictet Asset Management in London, which manages \$10 billion in developing-nation assets, including Eskom 2028 notes. "There are 101 different ways to do it. I mean, the government as the sole shareholder could even assume the debt. Or use its lower funding costs to borrow and then transfer the funds to Eskom."

The PIC is recovering from a government inquiry last year into how political meddling influenced decision-making. The probe led to the departure of several senior executives following disclosures that included bailing out one of the country's biggest retailers ahead of a national election against the advice of its investment professionals.

While the Congress of South African Trade Unions, a key ally

of the ruling African National Congress, has backed using PIC funds to help Eskom, other labor groups, including the 235,000-member Public Servants Association, and business leaders have opposed it.

Eskom's own employee pension fund has signaled resistance to the idea. It doesn't want to change the "risk-return characteristics" of its 2 billion rand investment in the company's debt or add to the holding, said Chief Investment Officer Ndabezinhle Mkhize.

Pitfalls

All of the options being considered have their pitfalls. A debt-to-equity swap may have to be offered to all creditors and could be classified by ratings firms as a default. Converting Eskom debt into sovereign bonds could flood the market and unnerve holders of South Africa's 2.62 trillion rand of junk-rated government bonds.

"We could lower the rating by one or more notches if the utility undertakes a debt restructuring, which, in our view, could be tantamount to a default," Standard & Poors' said in a Nov. 25 statement.

Eskom CEO Andre de Ruyter has been credited with improving operations since taking over January but has said the debt question is in the hands of the government. He has spoken of using green finance to help reduce coal use and cut its debt. He didn't give specifics.

Ultimately, unpalatable as it might be, the government may find it just has to meet the utility's obligations by paying off its debt as it falls due.

"Everybody knows Eskom needs to do something about its debt, no one knows what that looks like," said Olga Constantatos, head of credit at Futuregrowth Asset Management, which has 194 billion rand under management, including Eskom debt. "It's in

a utility death spiral as well as a debt spiral.”

New Book Shows Way to Peaceful Resolution of Maritime Border Disputes



Road Map Can Help Coastal Countries Tap Offshore Resources

WASHINGTON, D.C.: A new book by energy expert Roudi Baroudi highlights often overlooked mechanisms that could defuse tensions and help unlock billions of dollars' worth of oil and gas.

“Maritime Disputes in the Eastern Mediterranean: the Way Forward” – distributed by Brookings Institution Press – outlines the extensive legal and diplomatic framework available to countries looking to resolve contested borders at sea. In it, Baroudi reviews the emergence and (growing) influence of the United Nations Convention on the Law of the Sea (UNCLOS), whose rules and standards have become the basis for virtually all maritime negotiations and agreements. He

also explains how recent advances in science and technology, in particular precision mapping, have expanded the impact of UNCLOS guidelines by taking the guesswork out of any dispute-resolution process based on them.

As the title suggests, much of the study centers on the Eastern Mediterranean, where recent oil and gas discoveries have underlined the fact that most of the region's maritime boundaries remain unresolved. The resulting uncertainty not only slows development of the resources in question (and reinvestment of the proceeds to address poverty and other societal challenges), but also increases the risk of one or more shooting wars. Baroudi notes, however, that just as such problems and their consequences exist around the globe, so might their fair and equitable resolution in one region work to restore faith in multilateralism for peoples and their leaders in all regions.

Were the countries of the Eastern Mediterranean to agree under UNCLOS rules to settle their differences fairly and equitably, he writes, "it would give a chance to demonstrate that the post-World War II architecture of collective security remains not merely a viable approach but also a vital one ... It would show the entire world that no obstacles are so great, no enmity so ingrained, and no memories so bitter that they cannot be overcome by following the basic rules to which all UN member states have subscribed by joining it: the responsibility to settle disputes without violence or the threat thereof."

Baroudi's work offers both general and specific reminders that levers exist which can level the diplomatic playing field, a useful contribution at a time when the entire concept of multilateralism is under assault from some of the very capitals that once championed its creation. In addition, it is written in an engaging style that makes several disciplines – from history and geography to law and cartography – accessible and interesting to everyone from academics and policymakers to

engineers and the general public.

Baroudi's background consists of more than four decades in the energy sector, during which time he has helped design policy for companies, governments, and multilateral institutions, including the United Nations, the European Commission, the International Monetary Fund, and the World Bank. His areas of expertise range from oil and gas, petrochemicals, power, energy security, and energy-sector reform to environmental impacts and protections, carbon trading, privatization, and infrastructure. He currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha, Qatar.

The book has been distilled from years of Baroudi's personal research, analysis, and advocacy, with editing by Debra L. Cagan (Distinguished Energy Fellow, Transatlantic Leadership Network) and Sasha Toperich (Senior Executive Vice President, Transatlantic Leadership Network).

"Maritime Disputes in the Eastern Mediterranean: the Way Forward" is published by the Transatlantic Leadership Network (TLN), an international association of practitioners, private sector leaders, and policy analysts working to ensure that US-EU relations keep pace with a rapidly globalizing world. Distribution has been entrusted to Brookings Institution Press, founded in 1916 as an outlet for research by scholars associated with the Brookings Institution, widely regarded as the most respected think-tank in the United States.

The TLN hosted a webinar on Thursday to launch the e-book version, with guests and participants joining via Zoom from cities around the world. Following introductory remarks by Cagan and former US Ambassador John B. Craig, a lively discussion took place with a panel featuring Baroudi and two very relevant representatives from the US State Department – Jonathan Moore (Principal Deputy Assistant Secretary, Bureau of Oceans and International Environmental and Scientific

Affairs), Kurt Donnelly (Deputy Assistant Secretary for Energy Diplomacy, Bureau of Energy Resources) and Dr. Charles Ellinas (Senior Fellow with the Atlantic Council's Global Energy Center)

Prior to the launch event, the book had garnered advance praise from key observers, including:

Douglas Hengel, Professional Lecturer in Energy, Resources and Environment Program, Johns Hopkins University School of Advanced International Studies, Senior Fellow at German Marshall Fund of the United States, and former State Department official: "In this thoughtful and well-argued book, Roudi Baroudi provides a framework ... guiding us down a path to an equitable and peaceful resolution ... The countries of the region, as well as the United States and the European Union, should embrace Baroudi's approach ..."

Andrew Novo, Associate Professor of Strategic Studies, National Defense University: "... A balanced, innovative and positive message that can provide progress for a series of apparently insoluble problems. Using international law, highly detailed geo-data, and compelling economic logic, Baroudi makes a powerful case for compromise ... if only the opposing sides will listen."

US Must Lead Response To Perils Of COVID-19 And Oil Crisis



G20 should hold an emergency meeting to prepare a realistic agenda to tackle the economic crisis created by COVID-19

Roudi Baroudi – Doha

It took a global pandemic that has grounded airlines, idled factories, and kept billions of people indoors, but prices for some oil futures contracts have gone into negative territory for the first time ever.

Not since Colonel Drake struck oil – with commercially viable methods – in Pennsylvania in 1859 has a producer had to pay customers to take crude off their hands. Together, oil & gas still supply approximately 60 percent of the world's energy, and that is not to mention its myriad other uses in modern industry. So, what to do when a demand slump of unprecedented size & speed has brought so low the world's most ubiquitous commodity, one still required by so many people?

First, it is crucial to recall how we got here, specifically the fact that the COVID- 19 crisis was not the only factor. Keep in mind that for weeks, the gathering collapse of demand coincided with a massive flow of oversupply as Russia and the Kingdom of Saudi Arabia refused to agree on production cuts, choosing instead to battle for market share going forward. Eventually, they will reach a new entente, but the effect of the virus had so destabilised the markets that even zero was no longer a floor in the minds of the investors.

Until COVID-19 shut down whole sectors the global economy, the world had been consuming approximately 100 million barrels of oil a day. By mid-April, that figure had dropped to something in the order of 80 million. The imbalance quickly filled up tank farms, and some analysts believe that as much as 160 million barrels of oil are currently being stored in tankers at sea but with nowhere to go. Airlines have slashed their schedules by 90 percent or more. Inevitably, oil-producing companies have had to shut down their wells, and dozens of refineries have had to suspend operations since they could no longer dispose of oil and related products.

There is no question that the heaviest damage has been sustained in the United States. The shale oil business had been so successful that the country had become the world's largest crude producer, managing not only to satisfy 90 percent of its own demand from domestic sources but also to compete with Russia and Saudi Arabia for customers overseas. The industry was always vulnerable, however, because of higher production costs, its producers were the first to fail.

Oil is unlike any other commodity in that a safe, affordable, and continuous supply of it is perhaps the single-most far-reaching factor of modern life for businesses, organisations, and almost 200 countries around the globe. Of course, renewables and other alternative sources have made great strides in recent years, and one or more of these technologies will be the future, but for now, and hydrocarbons and oil are

still the prime determinants of success or failure.

At the same time, the fact that this is having such a concentrated effect in the United States is a crisis because that country is a reliable bellwether for global economic health. Even as China's meteoric rise over the past decades has made it the world's second largest economy, with nominal GDP about \$14 trillion for 2019, the US economy remains far away the world's heftiest at about \$21 trillion. For this reason, when Americans stop buying, everywhere loses sales. And in just a few short weeks, more than 26 million of them have filed for unemployment benefits. Jobs are being shed in record numbers, meaning less capacity for anyone else to compensate for the evaporation of US demand for everything.

So how do we keep the of global epidemic and global oil glut from producing long-term damage that yields to even more human and economic losses? How do we get the world's most important economic engines – to get global commerce moving again? In a word, unity – of the sort that brings all humankind together for collective action. Even assuming that a vaccine is developed, the damage done to some of the world's most important economies will not be repaired overnight.

In short, recovery depends on sincere dialogue, full cooperation, and genuine transparency. We are all in this together now, so the best way out is to collaborate on an exit strategy that saves time, money, and human lives. The biggest responsibility falls on the biggest players, the US, China, and Russia, along with the European Union, Japan, and multilateral institutions. Going forward, each of these countries and entities will need to make commitments about what it will and will not do. Only then can the necessary confidence and stability be rebuilt around the world.

Exceptional challenges call for exceptional remedies. Already we have seen several global leaders pledge to work together on a vaccine, but the United States was notable by its absence.

For the broader purpose of steering a way out of the global economic morass, it is essential that Washington be present and accounted for. My suggestion is an emergency meeting of the G20 at the earliest, which probably means the first part of May. Not a moment should be wasted in preparing a realistic agenda that measures up to the enormity of the tasks at hand. To quote the quintessential American, Benjamin Franklin, "We must, indeed, all hang together, or most assuredly we shall all hang separately."

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