Three words, 11mn jobs: Draghi’s legacy for euro area

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Three words — whatever it takes — defined Mario Draghi’s time as European Central Bank president, but he’s prouder of another number: 11 million jobs.

Hardly a public appearance goes by without Draghi mentioning employment growth in the euro zone as a justification for the extraordinary monetary stimulus he’s pushed through since 2011.

The focus on jobs might be understandable given that, despite all his efforts, he’s fallen far short on his primary mandate of inflation. That failure forced him into a last-ditch, and controversial, push in September to boost price growth. He leads his last Governing Council meeting on Thursday before retiring on Oct. 31.

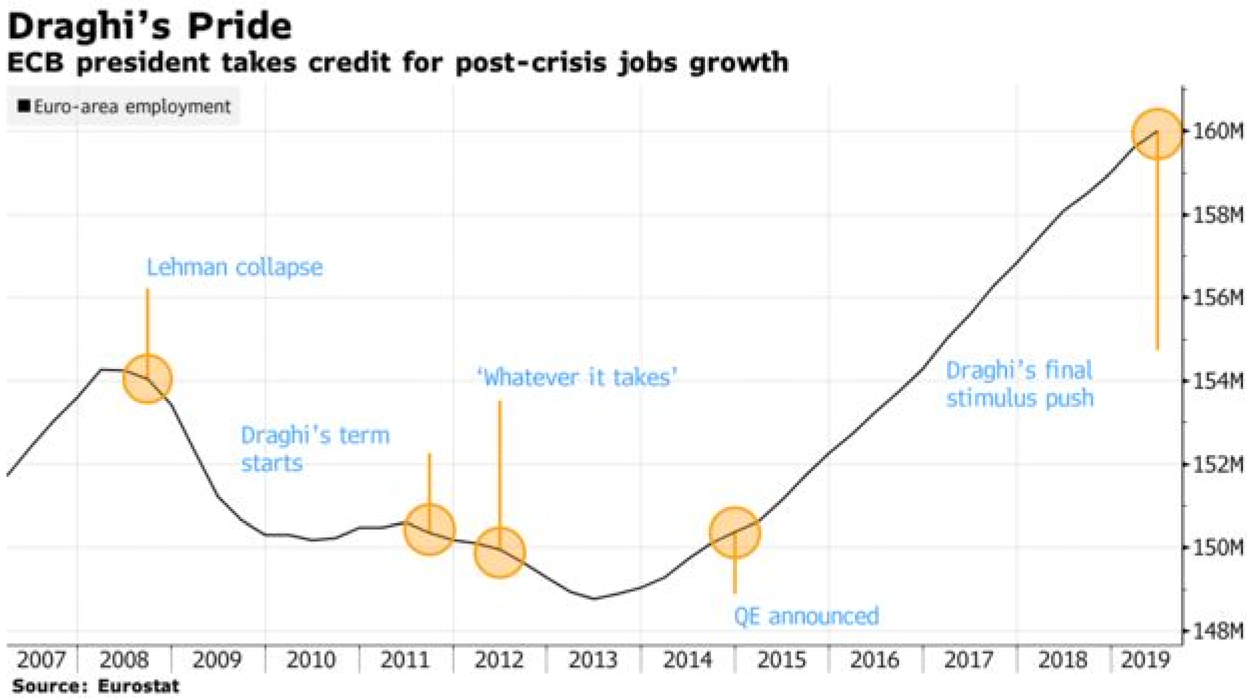
So how has the region’s economy fared under Draghi, with his

2012 pledge to save the euro, and crisis-fighting measures such as negative interest rates and asset purchases? Here are some of the metrics that show his successes and failures.

Labor Market

Employment growth since 2013, when the 19-nation euro zone emerged from its double-dip recession, is unequivocally Draghi's biggest economic achievement — if you discount that the single currency might not even exist today without his commitment the previous year to protect it when a debt crisis sparked breakup fears.

The labor market has underpinned the bloc's recovery, feeding private spending and investment. It has become one of the biggest bulwarks against the recent chaos from the U.S.-China trade war, President Donald Trump's protectionist rhetoric against Europe, and Brexit.



Looking deeper though, the picture is more complex. Germany has built on impressive job creation that started well before Draghi's term, after domestic reforms, and was only briefly interrupted by the Great Recession. France can tell a similar tale, but labor markets in Spain and Greece along with some of the smaller euro members still haven’t made up the lost ground.

Economic Growth

Regional differences are equally striking when analyzing economic growth. Aside from Greece and Cyprus — both deeply scarred after years of austerity and a near-collapse of their financial system — no country has done worse than Draghi’s native Italy in terms of total output per head.

Inflation

The prime reason for the ECB’s record-low interest rates, cheap long-term loans and 2.6 trillion euros ($2.9 trillion) of asset purchases — so far — is its attempts to overcome weak inflation.

That hasn’t gone well. Consumer-price growth over Draghi’s eight-year term has averaged 1.2% which, unlike with his predecessors, falls short of the goal of “below, but close to, 2%.” It was even negative at times — so Draghi can at least console himself with the fact that he beat deflation.

Subdued price pressures are a mystery, and not only for Draghi. Central bankers around the world have puzzled over why low unemployment and rising wages aren’t translating into stronger inflation as standard economic models predict. The suspicion is that developments such as global supply chains and internet commerce are at least partially to blame.

The result is dwindling inflation expectations, a dangerous development for a central bank whose credibility hinges on convincing investors and the public that it can deliver on its mandate. The drift has kicked off a debate about whether incoming president Christine Lagarde needs to commission a review looking at both how the ECB sets policy and whether its definition of price stability, last updated in 2003, is still appropriate.

Bank Lending

One other key indicator the ECB uses to gauge its success is lending by banks to companies and households, and that has responded better to stimulus. At just under 4%, credit is expanding at three times the rate of gross domestic product. Banks say that growth is threatened by negative interest rates, which squeeze their profit margins and might eventually force them to pull back.

Greece

One small economy has taken an outsized chunk of Draghi's attention. Concerns about Greece's public finances first surfaced in late 2009, and by 2015 the ECB was enmeshed in a banking crisis and game of political brinkmanship that threatened to splinter the single currency area.

Draghi's kept the country's lenders alive, by approving emergency liquidity, just long enough to allow a political solution that kept Greece in the bloc. Since then, the economy has started to recover, though lags far behind its peers. Draghi himself said this year that the Greek people paid a high price.Euro's Future

For all the furor over a possible "Grexit" and the flirtations of factions in France and Italy with the idea of a future outside the currency union, membership has actually continued to grow. Latvia joined in 2014, Lithuania one year later, and other countries in eastern Europe have expressed an interest in doing likewise.

At the end of Draghi's term, a measure of the probability of a breakup of the bloc is near a record low. It might be his ultimate legacy.

For Sarah Hewin, an economist at Standard Chartered Bank in London, both Draghi's role in keeping the euro region intact and his record of "huge" job creation won't be easily forgotten.

Those were "two really huge achievements during his time," she told Bloomberg Television on Tuesday. "I think those are the ones that he'll be remembered for."

EU warns France, Italy over budgets, but rows unlikely

STRASBOURG (Reuters) — The European Commission said France and

Italy draft budgets for next year might breach of European Union fiscal rules and it asked for clarification by Wednesday in letters sent to the countries' finance ministers.

The EU executive has also issued budget warnings to Finland over its spending, and to Spain, Portugal and Belgium, who have submitted incomplete budget plans because of recent elections.

The EU's move on Italy is considered necessary, since Rome plans to spend more to boost growth. It is unlikely to lead to a repeat of last year's standoff, when Brussels forced the Italian government to amend its budget to avoid sanctions.

The letter to Italy, dated Oct. 22 and signed by economic commissioners Valdis Dombrovskis and Pierre Moscovici, said a preliminary assessment of the 2020 draft budget showed that it fell short of EU fiscal recommendations to reduce spending.

"Italy's plan does not comply with the debt reduction benchmark in 2020," the letter said.

That was the same message Brussels sent Italy last year. The situation since then has changed: Italy now has an EU-friendly government, the EU is pushing for more spending to counter recession risks and the current commission is also about to end its five-year mandate.

Moscovici told reporters on Tuesday the situation was different from last year and the commission would not ask for changes to Italy's budget, reiterating the soothing message he delivered last week in an interview with Reuters.

Italian Prime Minister Giuseppe Conte said Rome would provide the necessary information to Brussels as part of an exchange that finance ministry sources said did not cause concerns.

Brussels wants Italian Finance Minister Roberto Gualtieri to explain why, according to his draft budget, the country's structural balance, which excludes one-off revenues and expenditures, would worsen by 0.1% of gross domestic product instead of improving by 0.6% as requested by the EU.

The Commission is also asking why net primary expenditure, which strips out interest payments, is budgeted to grow by 1.9% of output next year, instead of falling as recommended by the EU.

At the same time, Brussels is looking into whether it could grant Italy leeway for “unusual events”, it said in the letter. If granted, as widely expected after Rome’s request, the flexibility could allow Italy to deviate from fiscal targets without breaching EU fiscal rules.

FRANCE, CARETAKER GOVTS

Brussels sent similar warnings to French Finance Minister Bruno Le Maire, saying under the existing draft budget that Paris would breach EU rules on public debts.

France foresees no structural improvement next year, contrary to EU requests for an improvement worth 0.6% of GDP.

Paris will provide the requested clarifications, Finance Minister Bruno Le Maire said, adding that he had made a political choice to cut taxes in a bid to address social issues in France and the slowdown of the global economy.

The Commission, which is in charge of assessing the budgets of euro zone countries, also sent warnings to Spain, Portugal and Belgium, whose caretaker governments were not in a position to submit complete budgets by the Oct. 15 deadline set by EU rules.

Spain and Belgium have not formed new governments following this year’s elections, with Spain going to the polls again in November. In Portugal, a new cabinet has not yet been sworn in after elections held this month.

Countries occasionally present incomplete budgets because of elections, but the commission warned that the current budgetary measures laid out by the three caretaker executives could fall short of EU fiscal rules.

A warning letter was also sent to Finland because of its growing public spending. Helsinki replied, saying the measures were temporary and necessary to boost employment and improve public finances in the long run.

Reporting by Francesco Guarascio, editing by Alexandra Hudson, Ed Osmond, Larry King

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Investor revolt torpedoes Swiss Sunrise Group’s $6.4bn Liberty Global deal

Sunrise Communications Group bowed to investor pressure yesterday and scrapped its 6.3bn Swiss franc ($6.39bn) acquisition of Liberty Global’s Swiss cable business UPC.
The number two Swiss telecommunications group had battled to save the deal in the face of opposition from its biggest shareholder, Germany’s Freenet, which holds 25% of its stock, and activist investors including Axxion and AOC.
“This is a missed opportunity to promote competition in the

Swiss market," said Sunrise chief executive Olaf Swantee, who had planned to bundle mobile, broadband, TV and fixed-line products to close the gap to market leader Swisscom.

Sunrise will now focus on going it alone, top managers said, stressing that its dividend was not at risk from transaction costs and a 50mn Swiss franc break fee it owes Liberty Global, a firm set up by US cable pioneer John Malone.

The company cancelled an extraordinary shareholder meeting (EGM) planned for today to approve a 2.8bn franc cash call needed to finance the UPC deal, avoiding an embarrassing defeat on the measure.

Freenet and other investors had opposed the rights issue even in its scaled-down form, saying the takeover was too expensive, improperly financed and strategically flawed.

Influential proxy adviser ISS helped doom the deal by recommending shareholders oppose it.

"We regret cancelling the EGM. We have spent a significant amount of time engaging with our shareholders and continue to believe in the compelling strategic and financial rationale of the acquisition," Sunrise chairman Peter Kurer said.

Not even support from investment banks UBS, Deutsche Bank, Morgan Stanley, Credit Suisse and Goldman Sachs was able to help Sunrise get the deal across the finish line.

Although the share purchase agreement technically remains in force until late February, Sunrise made clear the deal was effectively dead.

"Management is now really focused on implementing the standalone strategy. We respect the decision of the shareholders," Swantee told Reuters, adding he did not expect to resume negotiations with Liberty Global.

Asked about his future after championing a deal that went awry, Swantee said only: "Our priority is stabilising Sunrise."

Kurer, who has said he would likely be voted out of office if the deal failed, was also under fire. "We expect that he will now draw the consequences and immediately resign as chairman," activist AOC said.

Sunrise shares, which had fallen more than 10% this year, gained 2.7% by 1230 GMT. Freenet boss Christian Vilanek saw more room for them to rise. “If we all pull together the stock can rise significantly over the next 12 to 24 months,” he said, adding Freenet had no plans to divest its Sunrise stake.

Analysts said the collapse would ease pressure on prices in the Swiss market. “Swisscom receives a ‘get out of jail free’ card,” Berenberg analyst Usman Ghazi said.

The future of UPC remained in limbo.

Ghazi said he doubted UPC would join forces with Salt, the third big Swiss player, but an investment banker involved in the deal said this was clearly a possibility, if not in the immediate future.

Liberty Global, which is exiting several European markets, was unlikely to change course and become a buyer, analysts said.

UPC Swiss head Severina Pascu said her operation remained a successful company with a strong standalone strategy.

Gmail hooked us on free storage. Now Google is making us pay

Google lured billions of consumers to its digital services by offering copious free cloud storage. That’s beginning to change.

The Alphabet Inc. unit has whittled down some free storage offers in recent months while prodding more users toward a new paid cloud subscription called Google One. That’s happening as the amount of data people stash online continues to soar.

When people hit those caps, they realize they have little choice but to start paying or risk losing access to emails, photos and personal documents. The cost isn’t excessive for most consumers, but at the scale Google operates, this could generate billions of dollars in extra revenue each year for the company. Google didn’t respond to an email seeking comment.

A big driver of the shift is Gmail. Google shook up the email business when Gmail launched in 2004 with much more free storage than rivals were providing at the time. It boosted the storage cap every couple of years, but in 2013 it stopped. People’s in-boxes kept filling up. And now that some of Google’s other free storage offers are shrinking, consumers are beginning to get nasty surprises.

“I was merrily using the account and one day I noticed I hadn’t received any email since the day before,” said Rod Adams, a nuclear energy analyst and retired naval officer. After using Gmail since 2006, he’d finally hit his 15-gigabyte cap and Google had cut him off. Switching from Gmail wasn’t an easy option because many of his social and business contacts reach him that way.

“I just said, ‘OK, been free for a long time, now I’m paying,’” Adams said.

Other Gmail users aren’t so happy about the changes. “I am unreasonably sad about using almost all of my free google storage. Felt infinite. Please don’t make me pay! I need U gmail googledocs!” one person tweeted in September.

One self-described tech enthusiast said he’s opened multiple Gmail accounts to avoid bumping up on Google’s storage limits.

Google has also ended or limited other promotions recently that gave people free cloud storage and helped them avoid Gmail crises. New buyers of Chromebook laptops used to get 100 GB at no charge for two years. In May 2019 that was cut to one year.

Google’s Pixel smartphone, originally launched in 2016, came with free, unlimited photo storage via the company’s Photos service. The latest Pixel 4 handset that came out in October still has free photo storage, but the images are compressed now, reducing the quality.

More than 11,500 people in a week signed an online petition to bring back the full, free Pixel photos deal. Evgeny Rezunenko, the petition organizer, called Google’s change a “hypocritical and cash-grabbing move.”

“Let us remind Google that part of the reason of people choosing Pixel phones over other manufacturers sporting a similar hefty price tag was indeed this service,” he wrote.

Smartphones dramatically increased the number of photos people take – one estimate put the total for 2017 at 1.2 trillion. Those images quickly fill up storage space on handsets, so tech companies, including Apple Inc., Amazon.com Inc. and Google, offered cloud storage as an alternative. Now as those online memories pile up, some of these companies are charging users to keep them.

Apple has been doing this for several years, building its iCloud storage service into a lucrative recurring revenue stream. When iPhone users get notifications that their devices are full and they should either delete photos and other files or pay more for cloud storage, people often choose the cloud option.

In May, Google unveiled Google One, a replacement for its Drive cloud storage service. There’s a free 15 GB tier – enough room for about 5,000 photos, depending on the resolution. Then it costs $1.99 a month for 100 GB and up from there. This includes several types of files previously stashed in Google Drive, plus Gmail emails and photos and videos. The company ended its Chromebook two-year 100-GB free storage offer around the same time, while the Pixel free photo storage deal ended in October with the release of the Pixel 4.

Gmail, Drive and Google Photos have more than 1 billion users each. As the company whittles away free storage offers and prompts more people to pay, that creates a potentially huge new revenue stream for the company. If 10% of Gmail users sign up for the new $1.99-a-month Google One subscription, that would generate almost $2.4 billion in annual recurring sales for the company.

Adams, the Gmail user, is one of the people contributing to this growing Google business. The monthly $1.99 is a relatively small price to pay to avoid losing his main point of digital contact with the world.

“It’s worked this long,” Adams said. “I didn’t want to bother changing the address.”

De Vynck writes for Bloomberg.

Qatar to be a $225bn economy by 2020

Qatar is expected to be a $225bn economy by 2020, thus offering immense investment potential to foreign investors, as Doha eyes substantial inflow of foreign direct investment (FDI). The future of Qatar’s economy, as well as the FDI potential, was highlighted by senior officials from the Qatar Financial Center (QFC), Qatar Free Zones Authority (QFZA) and the Investment Promotion Agency of Qatar (IPAQ) at a recent event in New York.

“Qatar has invested significantly in its economy, generating gross domestic product growth that is expected to hit an impressive $225bn by 2020. This growth unlocked many investment opportunities in the country, and has already attracted the attention of foreign investors interested in establishing themselves in the Middle East," said IPAQ chief executive Sheikh Ali al-Waleed al-Thani. Saud bin Abdullah al-Attiyah, deputy undersecretary for Economic Affairs, Ministry of Finance, said Qatar remains one of the world's fastest-growing economies, with an abundance of investment opportunities across numerous sectors.

"This reflects the forward-thinking and progressive fiscal policies and legislative reforms introduced by Qatar that have already seen a positive impact, as noted by international ratings agencies including Moody's and Standard and Poor's, all of which underlines the nation's attractiveness as an investment hub," he added. Highlighting that Qatar's regulatory, digital, entrepreneurial, and legislative frameworks off er a sustainable climate for global investors to prosper, Abdulla al-Misnad, deputy chief executive, QFZA, said the country's free zones are committed to foster economic growth by focusing on sectors where Qatar has a "strong value proposition".

"We aim to attract companies with willingness to play an active role in our vision towards a dynamic and diversified economy, and have the ability to penetrate large, fast-growing underserved global markets," he said. Sarah al-Dorani, chief marketing officer, QFCA showcased Qatar as the ideal location (for global companies) to expand in the region. The event saw a range of experts discuss the outlook for foreign investors in Qatar; some of Qatar's rapidly growing sectors including FDI in financial technology, as well as the upward investing trends seen in the past several years.

The event was hosted by Jason Kelly, New York Bureau Chief of Bloomberg and included a lineup of highly promi- nent speakers including ambassador Anne Patterson, President of the US-Qatar Business Council; Rachel Duan, president and chief executive of GE’s Global Growth Organisation; and James Zhan, Director of Investment and Enterprise at the United Nations Conference on Trade and Development.

Global Finance Chiefs Pledge to Use All Tools to Aid Growth

Global finance ministers and central bankers pledged to use all their tools, including fiscal policy, to support demand amid a “highly uncertain” outlook and elevated risks.

“The outlook is highly uncertain and subject to elevated downside risks,” including trade tensions, policy uncertainty and geopolitical risks, according to a communique issued Saturday by the International Monetary and Financial Committee, the steering panel of the IMF’s 189 member countries. “We will employ all appropriate policy tools, individually and collectively, to mitigate risks, enhance resilience and shore up growth to benefit all.”

The statement was released in Washington, where the IMF and World Bank are holding their annual meetings.

An International Monetary Fund Committee (IMFC) plenary session on October 18.

“Available fiscal space should be used to support demand as needed,” and monetary policy should aim to keep inflation

approaching or stabilising around targets, the communique said.
The downbeat statement caps a week during which the IMF made a fifth-straight cut to its 2019 global growth forecast, projecting the weakest expansion since 2009. The fund's chief economist, Gita Gopinath, earlier warned that "there is no room for policy mistakes and an urgent need for policymakers to co-operatively de-escalate trade and geopolitical tensions."
"All tools can be applied – monetary policy where there is space for it" as well as fiscal measures and structural reforms when appropriate, IMF managing director Kristalina Georgieva said on Saturday at a press conference in Washington. Governments need to take these steps to stop or reverse the slowdown, she said.
Global finance leaders met against a backdrop of slowing growth in the world's major economies and central banks grappling with limited room to support expansion.
In the US, the Federal Reserve has reversed some of its tightening to insure against downside risks, though consumer spending has largely held up amid weakness in manufacturing and business investment. China said on Friday that economic growth decelerated to the weakest pace since the early 1990s, yet it may be starting to stabilise as fiscal stimulus works its way through the economy.
For the euro area, policymakers don't expect to go beyond the interest-rate cuts and quantitative easing pushed through by European Central Bank President Mario Draghi in September unless the economy is hit by shocks such as escalating trade tensions or a no-deal Brexit, according to regional officials.
While the US and China have touted progress toward a trade agreement that leaders Donald Trump and Xi Jinping would sign next month, the situation remains uncertain and there's no indication that the nations are preparing to roll back tariffs implemented over the past two years.
The IMFC statement repeated language from the prior statement in April saying that "we recognise the need to resolve trade

tensions."
But the latest missive added a line saying that a "strong international trading system with well-enforced rules addressing current and future challenges would support global growth."

EU states delay 'green' finance guide, leave it open to nuclear power

BRUSSELS (Reuters) – A set of European Union standards to determine which financial products qualify as "green" should be delayed until the end of 2022, EU governments agreed on Wednesday, stirring concern because the guidelines might end up including investments in nuclear power.

The delay, if confirmed by EU lawmakers, could slow the growth of the $200 billion market for green bonds, by pushing back clearer standards that many investors wanted. Proponents of green investment condemned the postponement.

“We don’t need to waste two more years,” said Luca Bonaccorsi, an activist with the Transport and Environment campaign group. Clearer standards were urgently needed to fund a sustainable economy, he said.

Deciding which investments could be called green was part of a legislative proposal put forward last year by the European Commission, the EU’s executive arm. Its goal was to encourage private investment in environmentally sustainable businesses.

The proposal laid out a taxonomy – a set of criteria and procedures for deciding what made an investment green – that was due to take effect in 2020. But many EU members objected, fearing damage to their national industries.

Diplomats agreed to postpone introduction of the taxonomy by more than two years. They also agreed to grant governments more powers to decide which investments are green, amending procedures proposed by the commission that would have given independent experts more say.

NUCLEAR CONCERNS

EU governments’ compromise does not exclude any economic activity from being listed as green. That could pave the way for declaring as green investments meant to reduce the environmental impact of nuclear reactors or plants seen as highly polluting.

The decision runs counter to recommendations from an EU expert group, which had advised in June excluding nuclear and coal-fired plants from the EU taxonomy. Their environmental impact was seen as going against EU targets to cut carbon emissions and reduce hazardous waste.

The text agreed by EU governments needs the approval of the European Parliament, which also wanted to rule out nuclear and coal investments from projects deemed green.

“This is a disaster,” Green European lawmaker Sven Giegold said. Parliament will do all it can to apply the new standards earlier and to exclude nuclear and polluting activities from the taxonomy, he said.

By setting criteria on what investment is sustainable, the EU hoped to avoid different standards in its 28 states and increase the confidence of climate-conscious investors. Proliferating standards let companies “greenwash” their activities, claiming green credential they not deserve.

However, the EU taxonomy’s broad criteria could divert money to technologies that “cannot be considered either safe or sustainable,” Germany said in a statement appended to the compromise text and also signed by Austria and Luxembourg.

The compromise ignored those concerns and tried instead to allay opposing fears of countries such as France, which relies on nuclear energy, and eastern European nations, which still depend on coal.

Attacks on Saudi Oil Plants Risk Lowering Aramco IPO Valuation

(Bloomberg) — As bankers discussed Saudi Aramco’s initial public offering at the Ritz Carlton hotel in Dubai last week, a drone attack was being planned to hit the heart of its operations over the weekend. It caused Saudi Arabia to halve its oil output and may cut the valuation of Aramco’s milestone deal.

The giant oil producer has accelerated preparations for a share sale that could happen as soon as November in Riyadh. Dozens of bankers from Citigroup Inc (NYSE:C). to JPMorgan Chase (NYSE:JPM) & Co. met last week to work on the deal, with analyst presentations scheduled for Sept. 22, people familiar with the matter have said.

“Crown Prince Mohammed bin Salman will push the company to demonstrate that it can effectively tackle terrorism or war challenges,” analysts led by Ayham Kamel, head of Middle East and North Africa research at the Eurasia Group, said in a report. “The attacks could complicate Aramco’s IPO plans.”

In an attack blamed by the U.S. on Iran, a swarm of drones laden with explosives set the world’s biggest crude-processing plant ablaze. Floating a minority stake of the oil giant, officially known as Saudi Arabian Oil Co., is part of Prince Mohammed's efforts to modernize and diversify the economy.

The attacks underscored geopolitical tensions in the region. Iran denied responsibility, which was instead claimed by Iranian-backed Houthi rebels in Yemen.

Oil prices surged by the most on record to more than $71 a barrel after the strike removed about 5% of global supplies. The main Saudi stock index Sunday fell as much as 3.1%, leading losses in the Gulf.

Back in 2017, investors suspected that Saudi government-related funds swooped in to support the market after the imprisonment of local billionaires at the Ritz-Carlton in Riyadh. That also happened amid the international crisis following columnist Jamal Khashoggi's murder at the Saudi consulate in Istanbul.

Here's more from analysts and investors:

Eurasia

- "The latest attack on Aramco facilities will have only a limited impact on interest in Aramco shares as the first stage of the IPO will be local. The international component of the sale would be more sensitive to geopolitical risks"
- Current valuation estimates for Aramco and its assets might not fully account for geopolitical risks
    - NOTE: Prince Mohammed, the architect of the IPO, has said he expects Aramco to be valued at over $2 trillion, but analysts see $1.5 trillion as more realistic

Al Dhabi Capital, Mohammed Ali Yasin

- "I think this attack may delay the IPO even on the local

exchange, and could affect the valuation negatively, as the investors have seen a live demonstration of the risk levels of the future revenues and business of the company. That was very low prior to this weekend attack”
- “Aramco has one main source of revenue, oil. That is its strength, but now it is becoming its biggest weakness if it gets disrupted”

United Securities, Joice Mathew

- This “will force investors to go back to the drawing board and re-evaluate their risk models on Aramco”
- “Even though this is a rare event, which could be potentially categorized as 4 or 6 sigma levels, the geopolitical risk premium on Aramco’s valuation model would show a sharp increase”
- “As far as the pricing is concerned, my view is that there may not be much of an impact if the government is contemplating a 1% listing on the Tadawul. I think the government has the power and ability to influence the decisions of anchor investors there”

Tellimer, Hasnain Malik

- “Ultimately the security risk is not so acute that it outweighs oil price, oil output and free float drivers of the valuation”
- This attack “also provides an opportunity for Aramco to demonstrate the redundancy and resilience of its supply chain by minimizing disruption to customers and thereby helping to mitigate the valuation impact of this risk”

Qamar Energy, Robin Mills

- “It will be all but impossible to proceed with the IPO if there are ongoing attacks”
- “Valuing Aramco like Shell (LON:RDSa) or ExxonMobil (NYSE:XOM) gets us to about $1.2-1.4 trillion. But that would drop significantly if we apply company-specific

risk factors”

Al Ramz Capital, Marwan Shurrab

- “The attacks could impact foreign sentiment for the IPO, but I don’t see a substantial hit to the valuation at this stage”
- “Geopolitical risk has always been an important factor for valuations across the Middle East region. Aramco will have to demonstrate its financial resilience toward such incidences to gain investors confidence”

The Slow Greening of Finance

Aug 28, 2019 ANDREW HIGHAM

Although the world is not reducing greenhouse-gas emissions to the extent needed to limit catastrophic global warming, major financial players are finally starting to make the shift away from fossil fuels. With recent divestment decisions now rippling across economies, hope of achieving a carbon-free energy future is not lost.

OXFORD – Some of the most influential players in the global economy are spearheading the shift toward a clean, green, emissions-free world, even while key governments stand idle. Financial giants from Europe, China, Japan, the United States, Australia, and elsewhere can see the looming risks and rewards, and they are not waiting on policymakers to signal what needs to be done. By setting immediate bans on new fossil-fuel investments, labeling clean and dirty energy producers, and dumping unappealing stocks, the financial industry is redirecting huge flows of money from fossil fuels to low-carbon technology.

Such decisions can ripple across economies. Consider, for example, the split between state and private energy finance in India. According to the Delhi-based Centre for Financial Accountability, primary finance for coal-fired power plants dropped by 93% between 2017 and 2018, while finance for renewables rose by 10%. Among the loans for coal projects in 2018, most came from government-controlled financial institutions, whereas three-quarters of renewables financing came from private commercial banks.

Similarly, banks and traders in Japan are abandoning coal projects in favor of renewables, even though the government has resisted setting a phase-out date for coal-powered energy. Three Japanese coal-plant projects have been canceled or delayed this year. And at the global level, the International Energy Agency (IEA) reports that investments in coal-power plants hit a century low in 2018, while more coal generators were retired.

This trend will become more pronounced as the number of financial firms shifting from fossil fuels continues to grow. Consider the headlines since March. Norway’s sovereign wealth fund has won parliamentary approval to divest $13 billion from fossil-fuel stocks, as part of the largest fossil-fuel selloff to date. Japan’s Mitsubishi UFJ Financial Group, one of the world’s largest banks in terms of assets, ceased financing new coal-fired power projects. And Chubb became the first major US insurer to announce a ban on coal coverage, while Suncorpbecame the last Australian insurer to end coverage for new coal-mining and coal-power projects.

Moreover, the London Stock Exchange has recategorized oil and gas stocks as “non-renewable energy” and classified green-energy stocks as “renewable” instead of “alternative.” And the world’s largest investor in overseas coal projects, the Oversea-Chinese Banking Corporation, said it would end financing for coal-power plants (once it finishes two final projects in Vietnam), while China’s State Development & Investment Corporation announced plans to stop investing in new coal-fired plants and focus on new energy sources.

More broadly, the Investor Agenda for a low-carbon world has attracted 477 signatories, representing around $34 trillion in assets under management. These investors are calling on governments not just to limit rising temperatures, but also to meet the Paris climate agreement’s more difficult goal of limiting global warming to 1.5°C above pre-industrial levels.

Meanwhile, the Institute for Energy Economics and Financial Analysis has found that those who ignored climate-change warnings have already taken a financial hit. BlackRock, the world’s largest fund manager, lost around $90 billion over the last decade, three-quarters of which was due to its holdings in ExxonMobil, Chevron, Shell, and BP. And investors in General Electric, including BlackRock, lost a whopping $193 billion in the three years leading up to 2018, because the company misjudged the pace of the shift to green energy and the collapse in demand for gas turbines and thermal power stations.

Although the shift away from fossil fuels is already monumental, a potential tsunami awaits. Those divesting from fossil fuels are the early adopters who have sensed a change in wind direction and readjusted their sails. But far more needs to be done. Because those firms' competitors have yet to take any steps toward divestment, trillions of dollars in carbon assets remain on investors' balance sheets.

Moreover, according to the IEA, while coal investments have fallen, capital spending on oil, gas, and coal nonetheless bounced back in 2018, and investment in energy efficiency and renewables stalled. Worse, the consultancy Wood Mackenzie finds that the renewables boom has translated into only 2% of global energy demand. As matters stand, coal, oil, and gas could still supply 85% of primary energy by 2040, down only slightly from 90% today.

To complete the transition away from fossil fuels will require drilling down to the core of the global economy. It does not help that financial institutions in China funneled at least $1 billion in "green" financing to coal-related projects in the first half of this year. Companies cannot keep producing oil, gas, and internal combustion engines while gradually shifting to cleaner technologies; they need to make a clean break.

Moreover, financiers need to look beyond coal and withdraw support for all fossil fuels. Equally important, governments must set an ambitious trajectory for their economies that impels adherence to the 1.5°C limit on warming. Our current path will lead to warming of 3°C or more, which would have catastrophic consequences.

The United Nations Climate Action Summit on September 23 offers the opportunity for financial institutions and governments to do what is necessary. Secretary-General António Guterres has called for gold-standard leadership, in the form of government and private-sector commitments to slash emissions to net zero, with interim targets every five years.

Guterres's call to action is echoed by all who have been demonstrating and striking for the same goal. Investors need to rise to the occasion, by structuring portfolios in such a way as to achieve net-zero emissions by 2050. That means pushing the companies in their portfolios to change, too, or risk being cut off and left behind. But setting long-term aspirations won't be enough. Actionable steps for the coming months and years must accompany the commitments made today, to ensure that progress remains on track.

To that end, Mission 2020 is collecting stories of progress from across the global economy. Our 2020 Climate Progress Tracker Tool, an open-access database, is updated regularly with climate commitments by countries, businesses, cities, and others. The bigger the divestment movement grows, the harder it will be to hide in the shadows, clinging to the past.

Greece fully lifts capital controls imposed during bailout chaos – PM

PM@ (Updates with statement on lifting)

ATHENS, Aug 26 (Reuters) – Greece is set to fully lift remaining capital controls, Prime Minister Kyriakos Mitsotakis said in parliament on Monday.

"From today, capital controls are a thing of the past," Mitsotakis told lawmakers.
Athens imposed capital controls in June 2015, when Greece's government had come to the end of its bailout extension period without agreeing on a further extension with its creditors.

The restrictions have been gradually eased since then. The cap on cash withdrawals was fully lifted in October 2018. But limits on money transfers abroad still remained. The newly elected conservative government has been keen to move swiftly to reassure markets that it intends to adopt business-friendly policies to attract investment, key to boost Greece's economic recovery.

Athens had imposed the capital controls as Greece was embroiled in dispute with its lenders over bailout terms and its banks were bleeding cash.

At the time, the European Central Bank decided to pull the plug on emergency funding to Greek lenders, forcing a three week shutdown of banks and a 60 euro per day cap on cash machine withdrawals.

Finance Minister Christos Staikouras told lawmakers he would submit legislation to fully lift the restrictions effective Sept. 1. (Reporting by George Georgiopoulos; Editing by Alison Williams)