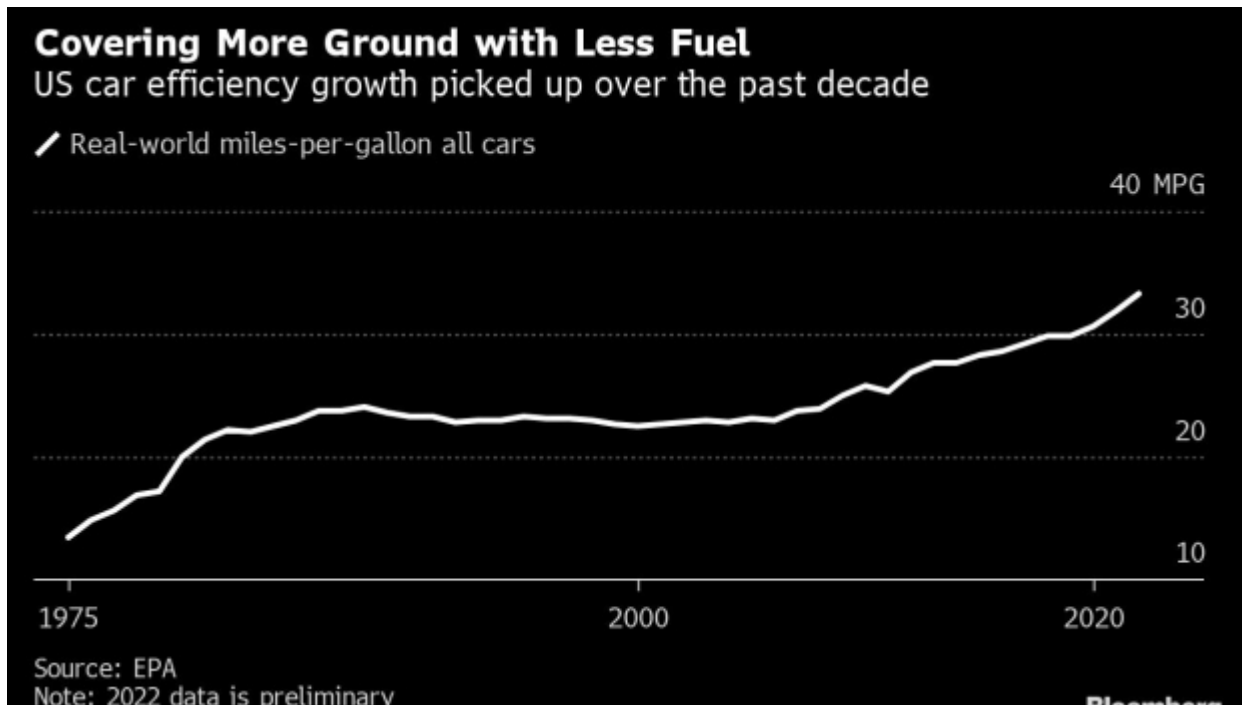


# Gasoline's Slow Fade Heralds US Supply Pain Now, Gain Later for Climate



(Bloomberg) – Gasoline demand in the US has peaked, with a surprise slowdown last year signaling that consumption is unlikely to ever again return to pre-Covid levels.

This long-awaited milestone shows that climate-friendly initiatives put into place more than a decade ago are finally taking the US across the threshold. American drivers are traveling more miles on less fuel than ever thanks to a generation of cars with more efficient engines as well as new electric vehicles. The government forecasts further declines for gasoline demand this year and next.

What comes next is a two-track future: short-term pain, followed by decades of economic and environmental benefits.

In the next several years, the fuel industry is poised to cut supply faster than the drop in demand, with more plants due to shut or convert to smaller biofuels facilities. The result

could be production crunches for gasoline, price spikes or even limited outages because of the mismatch. Paradoxically for drivers, it's gasoline's slow death that will make it painful.

In the longer term, falling gasoline demand will eventually mean tamer prices and lower emissions, which is obviously good news for the environment since transportation is the biggest contributor to greenhouse gas emissions in the US.

Peak gasoline will "have significant implications for consumers, inflation, politics," said Mark Finley, an energy fellow at Rice University's Baker Institute for Public Policy. "All in all, a big deal – over time."

One of the strange things about being at peak gasoline is that there's still quite a lot of demand. Consumption started plateauing in the years before the pandemic. Even as it drops now, it's not falling off a cliff and is still at what historically would be considered high levels.

At the same time, oil refiners, who turn crude into useable fuels, are already cutting back to stay profitable. The supply losses were exacerbated because of pandemic-induced shutdowns. Since gasoline plants are destined to become uneconomical stranded assets as demand fades, there's little incentive to increase output from them now.

In simple terms, the refining industry risks moving on from gasoline more quickly than consumers.

It's the latest example of the global energy transition's bumpy path. While most prices have calmed in the past few months, the jolts in natural gas, electricity and fuel markets are likely to be with us for the next several years as investments flow out of fossil fuels and into technologies for clean power. And it also underscores why energy-driven inflation has become harder to control – even periods of relative stability will likely be punctuated with volatile

price jumps that will make the Federal Reserve's job that much more difficult.

### What's Happening With Supply?

Oil refiners have already reduced their production capacity by more than 1 million barrels a day, equal to about 5% of the US total.

That squeeze helped to send retail gasoline prices to all-time highs in 2022 and left drivers in parts of the country facing lines to fuel up during the worst crunches of 2021. The disruptions are set to continue because of just how long the lingering dependency on gasoline will last.

"It will take decades for gas-powered vehicles to drive off into the sunset," said Rob Jackson, a professor of Earth system science at Stanford University.

Supply concerns in recent days helped to send the the gasoline crack spread – a measure of profitability of turning crude oil into the fuel – in New York up to levels not seen since last summer.

### How Much Will US Demand Fall?

The Energy Information Administration sees a modest decrease for 2023, predicting a drop of less than 1% to 8.74 million barrels a day.

Matthew Parry, head of long-term forecasting at consultancy Energy Aspects, says the declines will become more pronounced over time. He predicts consumption will slump by about 15% between 2022 and 2027, for a total decline of around 1.4 million barrels a day over the period.

"It's the ongoing replacement of old cars with more fuel efficient ones that contributes to the steady erosion in the amount of gasoline used per mile," said Linda Giesecke, an analyst at consultancy ESAI.

US fuel economy in 2021 reached a record 25.42 miles per gallon, and preliminary data for 2022 shows an even greater jump to 26.36, according to the Environmental Protection Agency. These are the results of tough fuel mileage standards Barack Obama called a “harbinger for change” back in 2009. President Joe Biden has put forward even more aggressive goals, and his administration’s Inflation Reduction Act dedicates \$374 billion to climate-related spending, including for EVs.

### How Long Will the Bumps Last?

It’s hard to predict exactly when the supply and demand sides will even out, partly because that will depend on how quickly consumers buy new fuel-efficient cars and EVs.

In 2022, vehicles that run on full or partial electricity were poised to account for more than 17% of US auto sales, up from 3.3% six years ago, according to researcher LMC Automotive. But so far, EVs account for less than 1% of all vehicles on the road.

Cutting fuel demand is a long game. To put in perspective how much time it takes for the fleet to turn over: Even if all cars sold in the US today are EVs, it will take an estimated nine years for EVs to replace just half the cars on US roads, according to John Eichberger, executive director of the Fuels Institute.

### What Does This Mean for Inflation?

Gasoline accounts for about 4% of the consumer price index. But fuel costs loom much larger in the minds of consumers, many of whom have to fill up their tanks weekly. To understand the outsized role gasoline plays in the economy, just consider the extraordinary steps that the Biden administration took in the last few years to keep prices under control: The president ordered a huge release of reserves from the strategic oil stockpiles and was imploring American oil drillers to increase

output, even though the move stood in contrast to his climate-focused agenda.

Short-term price spikes in the next few years will continue to be a headache for policymakers. But zooming out a bit more, the long-term decrease in fuel demand will eventually help to keep costs in check.

“The politics of gasoline will also change,” said Rice University’s Finley.

## بعد البحر... نفط في البر؟

كتب نادر حجاز في موقع mtv:

أعاد الأمين العام لحزب الله السيد حسن نصرالله الى الواجهة الحديث عن استخراج النفط في البر بعد اكتشافه في البحر، جازماً أن لبنان يملك ثروة نفطية في الياسة وأن السياسة عطلت استخراجها طوال السنوات السابقة.

تصريح نصرالله يذكر بدراسات عدة أشارت الى هذا الأمر، بدءاً من العالم غسان قانصوه وصولاً الى المسوحات التي سبق وأجريت في مهل زمنية مختلفة ومتباعدة. فهل لبنان يملك فعلاً ثورة نفطية في البر؟ وما الطريق الذي يجب أن تسلكه الدولة لاستخراجها؟ والسؤال الأهم هو أي فائدة لهذا الاستخراج وهل العالم لا زال في عصر النفط؟ الخبرة في شؤون النفط والغاز لوري هايتيان ذكرت بالمحطات التاريخية التي برز فيها الحديث عن النفط في البر، بدءاً من الفترة الممتدة بين 1947 و1967، حيث حصلت محاولات للبحث عن النفط في الياسة في 7 مناطق لبنانية، وخلصت الى أنه يوجد نفط في لبنان لكن الاستخراج مكلف جداً. وأُقفل الملف حتى العام 1993 حين حصلت محاولة في البحر في شمال لبنان، ليعاد ويُطوى الملف وصولاً الى مرحلة ما بعد العام 2000 حتى اليوم، مشيرة الى مسوحات أجريت من قبل الدولة اللبنانية في هذه الفترة ولكن لم يُعلن عن نتائجها، وبالتالي لا يمكن الحديث بعد عن كميات كبيرة نملكها.

الى وجوب القيام بالدراسات mtv وأشارت هايتيان في حديث لموقع اللازمة ولاحقاً بدء الحفر للتأكد من وجود النفط في البرّ من عدمه، موضحة أنه "لا يوجد اليوم أية خطة لاستخراج النفط في البرّ وكل ما نملكه هو مسوحات موقعية حصلت أخيراً، وكان هناك قانون للتنقيب عن النفط في البرّ قيد الدرس في البرلمان لكنه لم يُقرّ". واعتبرت هايتيان أنه "بناء على هذه المعطيات لا يمكن الجزم بوجود نفط في البرّ، وما يمكننا القيام به هو التخطيط واتخاذ القرار". بالبحث حول كيفية استخراج النفط والغاز إذا وُجد.

وتعليقاً على طرح نصرالله، قالت هايتيان: "نصرالله يتحدث عن زمن وليّ، فالاعتماد على النفط والغاز والسعي للتحوّل الى دولة نفطية أصبح "دقّة قديمة" في الاقتصاد، ونمط اقتصادي قديم لا يصلح ولا يتماشى مع التطور العالمي في زمن البحث عن الطاقات المتجددة. وإذا كانوا يعتبرون أن هذا النهج سينقذ لبنان، فلن يكون له مكان في العالم".

وفيما وصفت هذا التفكير بالبالي والقديم الذي لا مكان له في العالم، شددت هايتيان على أنه "يجب التطلع الى الأمام وكيفية الاتجاه نحو الطاقة المتجددة"، مقترحة أن تقوم وزارة الصناعة بمسح حول ما يملكه لبنان من معادن يمكن استخراجها واستثمارها في صناعة الطاقة المتجددة"، مضيفة "إذا كنا نريد فعلاً أن يكون لنا دور في الاقتصاد العالمي فالأجدي التفكير بهذا الاتجاه وهذا ما يمكن أن يساهم في تطوير المجتمع وحجز مكان للبنان في الاقتصاد العالمي".

النفط ليس الحل السحري للبنان... جملة قالها بيار دوكان في السابق، فعودة النهوض الاقتصادي يحتاج الى نمو وإلى استعادة الدورة الاقتصادية لحيويتها ودعم القطاعات المنتجة. وكل هذا لن ينفع إذا لم يرقى لبنان بالاصلاحات وتحسين مؤسساته في وجه الفساد، وإلا لن تحمل الأيام المقبلة ما هو أفضل من واقع حالنا حتى ولو كانت نفطية.

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# Aramco sees oil demand picking up on China and aviation recovery



The world's biggest oil company is confident demand will pick up strongly this year as China reopens its economy and the aviation market recovers.

"We are very optimistic in terms of demand coming back to the market," Saudi Aramco's chief executive officer, Amin Nasser, said in an interview. "We are starting to see good signs coming out of China. Hopefully, in the next couple of months, we'll see more of a pickup in the economy there."

Demand for jet fuel is now around 1mn barrels a day below pre-pandemic levels, according to Nasser, roughly half the figure from a year ago. "It's picking up," he said at the World Economic Forum in Davos.

Oil prices whipsawed in 2022. Brent crude surged to almost \$130 a barrel in the wake of Russia's attack on Ukraine, but

slumped in recent months as the Chinese, US and European economies slowed. It's trading at about \$86.80 a barrel, up 1% since the end of December.

Many Wall Street banks, including Goldman Sachs Group Inc, expect it to climb above \$100 a barrel in the second half of the year. They cite a global economic rebound by that time, low fuel stockpiles in nations such as the US and the potential for Russian exports to drop as the west tightens sanctions.

Nasser reiterated that companies need to invest more in oil production. Idle capacity stands at 2mn barrels a day, barely above total demand of 100mn barrels, and will probably drop as China ends its coronavirus lockdowns, he said.

The world needs 4-6mn barrels a day of new production just to make up for the natural decline in existing fields, according to the CEO.

"We're moving into the situation where we're eroding spare capacity and any supply interruptions will have a huge impact," he said.

"We will be in a situation similar to natural gas," he said, referring to how prices for the fuel jumped to the equivalent of \$250 a barrel after Russia's invasion.

The Saudi Arabian state-controlled company sees oil demand continuing to grow for the rest of the decade, even as electric vehicles become more popular and investors pour money into renewable energy.

"It's offsetting some of the demand" for oil, said the CEO. Still, crude consumption will "definitely" be higher in 2030. The increasing use of petrochemicals – feedstocks for everything from plastics to fertilisers and clothes – is positive for Aramco, he said.

The company wants to convert 4mn barrels a day of crude into petrochemicals by the end of the decade. It's looking at more investments in Chinese refineries and liquid-to-chemical plants as part of that push, said Nasser.

"We're in serious discussions with so many entities" in China, he said.



Last year, Aramco and its chemicals subsidiary, Sabic, said they were planning to build a 320,000 barrels-per-day refinery at Gulei, a coastal Chinese town.

Aramco is also investing billions of dollars in hydrogen, a fuel seen as crucial to the transition to cleaner forms of energy. The Saudi firm aims to export blue hydrogen, made by converting natural gas and capturing the carbon dioxide emitted in the process, on a large scale from about 2030.

Talks with potential importers in Japan and South Korea are progressing, though they'll probably need to get assurances of financial support from their governments before they sign any supply contracts, Nasser said.

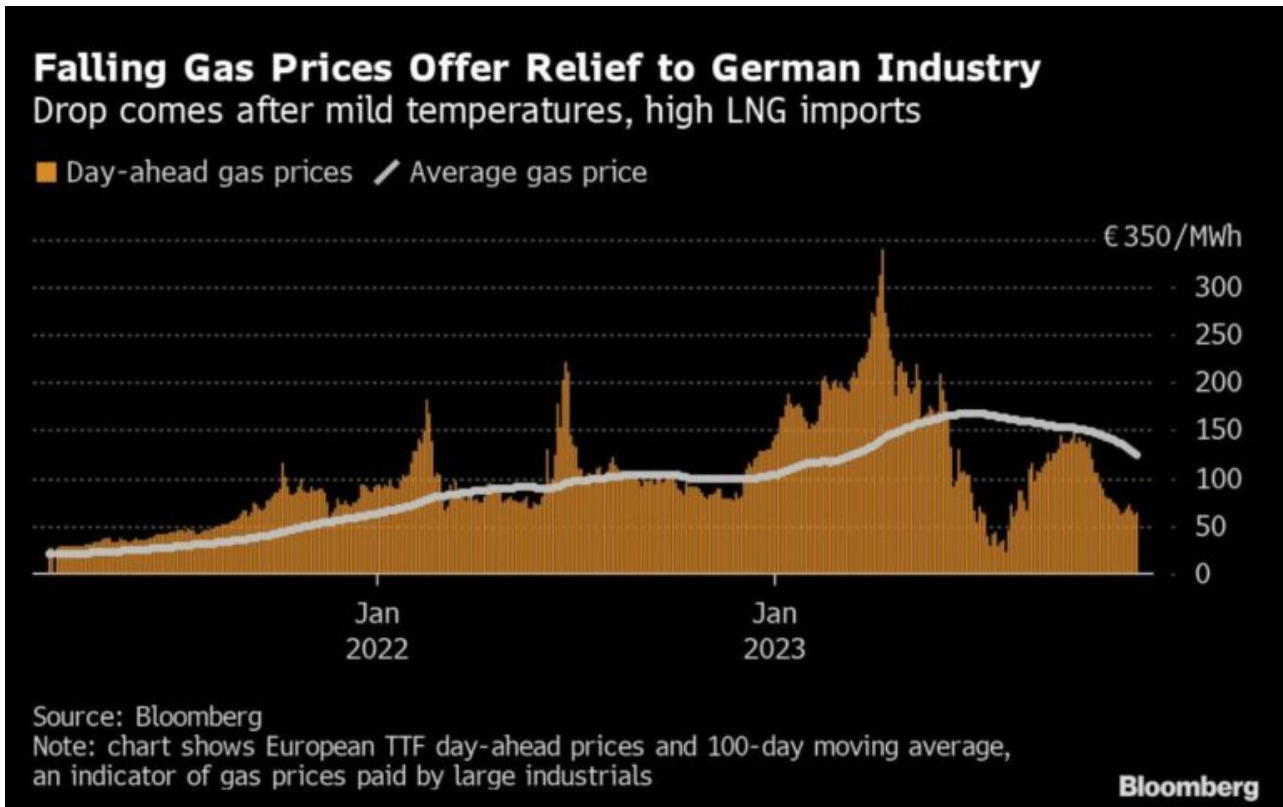
"They think they'll be able to do it in 2023," he said. "We'll see."

Blue hydrogen may end up costing the equivalent of around \$250 a barrel of oil, Nasser said, though Aramco won't know until it's done more research.

"It's not going to be \$80 or \$100" a barrel, he said. "This is cleaner – it costs more."

Negotiations with European firms are proving tougher, primarily because they want to wait for technological advances to bring down the price of blue hydrogen.

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*By William Wilkes*

Germany's industrial heavyweights like BASF SE battling an unprecedented energy crunch are seeing signs the worst of the crisis has passed.

Fears of gas rationing after Russia's invasion of Ukraine have dissipated for the country's chemicals, metals and glass makers amid mild temperatures and Germany completing its first liquefied natural gas import terminal. Companies switching to purchasing gas and electricity in the spot market instead of long-term agreements are already reaping the benefits.

Energy prices are significantly lower for us," said Christopher Profitlich, a spokesman for SKW Piesteritz GmbH, which was forced to halt production of key base chemical ammonia last year after gas prices surged. "Both our machines are working and all of our production staff are working again."

Germany's pivot to wean itself off Russian gas is paying off. The government has rushed to tap liquefied natural gas in the market, boosting imports to Europe to a record high and keeping reservoirs close to full through the early winter. The

country has also fast-tracked building LNG terminals.

“It looks like the risk of forced gas rationing has gone away this winter,” said Wolfgang Große Entrup, who heads Germany’s VCI chemical sector association. “But prices will need to stay lower for much longer for most companies to see a real difference.”

The surge in gas prices forced many industrial companies to curb output, stoking fears for the future of factories and jobs. Major manufacturers including automaker Volkswagen AG and chemical giant BASF drew up emergency plans in case of supply disruptions, as Russia effectively stopped direct gas flows since September.

## **Price Shock**

While prices have started to wane, they remain significantly above levels seen before Russia started under-delivering gas in the months before its February 2022 invasion. Companies dealing with the price shock said customers in many cases have turned elsewhere, such as sourcing aluminum parts from the US or Asia.

“The feeling of apocalypse has lifted,” said Marius Baader, managing director of Aluminium Deutschland which represents aluminum manufacturers, said by phone. “But there’s no reason to celebrate yet.”

The drag on Europe’s biggest economy has also eased. Economists had predicted a downturn in September after measures of consumer confidence dropped and surveys of purchasing managers signaled a decline in output. Now the broader economy appears to be flatlining rather than shrinking.

“The currently stable energy supply situation ensures that production is secured for the time being,” said Matthias Frederichs, head of the BV building materials manufacturers’

association. "Still, there can be no talk of relief."

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## من هو سعيد الحظ الذي فاز بالترخيص رقم 8 للرقابة على بواخر الفيول؟



فضحية مخالفة لكل الاصول: شروط غير متوفرة وتداخل مصالح سياسية

”خاص - “أخبار اليوم

منذ نحو عشر سنوات توقفت وزارة الطاقة عن منح التراخيص لشركات الرقابة على بواخر الفيول والمحروقات، ليستقر العدد على سبع شركات التي تقوم بعملها بشكل دوري لجهة اخذ العينات من حمولة البواخر واجراء الفحوصات المخبرية اللازمة تطبيقا للقانون الساري

## ...المفعول

ولكن الجديد على هذا المستوى هو الترخيص الذي منحه وزير الطاقة وليد فياض في الاسابيع الاخيرة لشركة جديدة ليرتفع العدد الى 8 .”بحسب ما كشف مصدر مطلع لوكالة “أخبار اليوم

وفي التفاصيل، اشار المصدر الى ان وزير الطاقة عمل على توقيع هذا الترخيص قبل بلوغ مديرة عام النفط في وزارة الطاقة والمياه أورور فغالي السن القانونية، وإحالتها إلى التقاعد الشهر الفائق، كاشفا ان انطوان الفرد دوره (الذي ترشح الى الانتخابات النيابية في طرابلس على اللائحة المدعومة من التيار الوطني الحر ولم يفز) حصل عليه دون ان يمرّ الملف بالاجراءات التقنية ومطابقة كل الشروط .الواجب توفرها .

:وهنا تحدث المصدر عن ابرز الشروط التي يجب الالتزام بها

، ان يكون لدى الشركة خبرة تتجاوز العشر سنوات -

الالتزام بالذاكرة رقم 3 التي تنص على ضرورة ان تكون الشركة - المحلية منضمة الى “شركة ام” عالمية” التي تغطي كل اعمال الشركة العاملة في لبنان اكان على المستوى التقني او اللوجستي، ما يكسبها الصدية .

وهنا سأل المصدر: هل ان الشركة الجديدة تتمتع بالخبرة المطلوبة؟ كما انه حتى اللحظة لم نعرف من هي الشركة الام التابعة لها، حيث لم يحدد الامر في بياناتها .

وفي سياق متصل ذكر المصدر بدراسة اجرتها وزارة الطاقة منذ نحو خمس سنوات تبين فيها ان السوق لا يحتمل شركة ثامنة، قائلا: اليوم السوق في تراجع نظرا الى الازمة الاقتصادية التي يعاني منها البلد، الامر الذي سيؤدي الى تسريح موظفين من الشركات السبعة .

وامام هذا الواقع، لفت المصدر الى ان اصحاب الشركات السبعة وجدوا خلا، واجتمعوا مع احد وزراء الطاقة السابقين من اجل استيضاح الامر وعبروا عن اعتراضهم على هذا التجاوز، كما طالبوا بان يتم تصنيف الشركة وتحديد حصة كل واحدة منها من رقابة البواخر وفق تراتبية الاقدمية .

الى ذلك، اوضح المصدر ان دوره يملك وكالة بحرية، (تعمل على تخليص المعاملات ودفع الرسوم) وبالتالي اي ترخيص رقابي له سيؤدي

.الى تداخل المصالح

وختم سائلا: هل ما حصل هو استعمال النفوذ، هل هذه الرقابة هي رشوة غير مباشرة من قبل مرجع سياسي؟

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**QatarEnergy wins working  
interest in new Brazilian  
offshore exploration block**



QatarEnergy, in a consortium with TotalEnergies and Petronas, has been awarded the Agua-Marinha Production Sharing Contract (PSC), under the 1st Cycle Permanent Offer round, by Brazil's National Agency of Petroleum, Natural Gas, and Biofuels (ANP). Under the terms of the PSC and associated agreements, QatarEnergy will hold a 20% working interest, alongside the operator Petrobras (30%), TotalEnergies (30%) and Petronas Petroleo Brasil Ltda (20%).

The Agua-Marinha block has a total area of 1,300sq km and is located in water depths of about 2,000m off the coast of Rio de Janeiro in the prolific Campos Basin.

Commenting on this occasion, HE the Minister of State for Energy Affairs, Saad bin Sherida al-Kaabi, also the president

and CEO of QatarEnergy, said: “We are pleased to achieve this latest successful joint-bid, which adds further highly prospective acreage to our upstream portfolio in Brazil, and particularly in the prolific Campos Basin.”

Al-Kaabi added: “We are delighted to achieve this success with our valued partners Petrobras, TotalEnergies, and Petronas. I wish to take this opportunity to thank the ANP and the Brazilian authorities for this opportunity and for their ongoing support.”

The acquisition, which is expected to close in the first half of 2023, further establishes QatarEnergy as one of the leading upstream players in Brazil, where it already holds working interests in two producing fields and numerous exploration blocks.

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## **EU countries agree gas price cap to contain energy crisis**





BRUSSELS, Dec 19 (Reuters) – European Union energy ministers on Monday agreed a gas price cap, after weeks of talks on the emergency measure that has split opinion across the bloc as it seeks to tame the energy crisis.

The cap is the 27-country EU's latest attempt to lower gas prices that have pushed energy bills higher and driven record-high inflation this year after Russia cut off most of its gas deliveries to Europe.

Ministers agreed to trigger a cap if prices exceed 180 euros (\$191.11) per megawatt hour for three days on the Dutch Title Transfer Facility (TTF) gas hub's front-month contract, which serves as the European benchmark.

The TTF price must also be 35 eur/MWh higher than a reference price based on existing liquefied natural gas (LNG) price assessments for three days.

"We have succeeded in finding an important agreement that will shield citizens from skyrocketing energy prices," said Jozef Sikela, industry minister for the Czech Republic, which holds

the rotating EU presidency.

The cap can be triggered starting from Feb. 15, 2023. The deal will be formally approved by countries in writing, after which it can enter into force.

Once triggered, trades would not be permitted on the front-month, three-month and front-year TTF contracts at a price more than 35 euros/MWh above the reference LNG price.

This effectively caps the price at which gas can be traded, while allowing the capped level to fluctuate alongside global LNG prices – a system designed to ensure EU countries can still bid at competitive prices for gas in from global markets.

Germany voted to support the deal, despite having raised concerns about the policy's impact on Europe's ability to attract gas supplies in price-competitive global markets, three EU officials said.

An EU official told Reuters Germany agreed to the price cap after countries agreed changes to another regulation on speeding up renewable energy permits, and stronger safeguards were added to the cap.

Those safeguards include that the cap will be suspended if the EU faces a gas supply shortage, or if the cap causes a drop in TTF trading, a jump in gas use or a significant increase in gas market participants' margin calls.

Soaring power and gas prices have rocked energy companies across Europe, forcing utilities and traders to secure extra funds from governments and banks to cover margin call requirements.

Germany's Uniper (UN01.DE) has booked billions of euros of losses on derivatives, exacerbating a crisis as it rushed to fill the gap left after Russia cut supplies.

Jacob Mandel, senior associate at Aurora Energy Research, said the TTF front-month contract has rarely closed above 180 eur/MWh, noting this has occurred on 64 days in its history. All of those were in 2022.

Two EU officials said only Hungary voted against the price cap.

The Netherlands and Austria abstained. Both had resisted the cap during negotiations, fearing it could disrupt Europe's energy markets and compromise Europe's energy security.

Dutch energy minister Rob Jetten said: "Despite progress the last couple of weeks, the market correction mechanism remains potentially unsafe."

"I remain worried about major disruptions on the European energy market, about the financial implications and, most of all, I am worried about European security of supply," he added.

The EU proposal has also drawn opposition from some market participants, who have said it could cause financial instability.

The Intercontinental Exchange (ICE) (ICE.N), which hosts TTF trading on its Amsterdam exchange, last week said it could move TTF trading to outside of the EU if the bloc capped prices.

On Monday, it said it will assess whether it can continue to operate fair and orderly markets for TTF gas hub trading. For now, ICE TTF markets will continue trading as normal.

The front month TTF gas price closed trading on Monday 9% lower, at 107 euros/MWh, Refinitiv Eikon data showed.

The contract hit a record high of 343 euros in August – a price spike that prompted the EU to move ahead with its price cap.

Italy's energy authority ARERA expects further increases in gas prices as the winter season kicks in, its President Stefano Besseghini said on Monday.

Meanwhile, Russia's Kremlin spokesman Dmitry Peskov said the cap was an attack on market pricing, and unacceptable, Russia's Interfax news agency reported.

The deal follows months of debate on the idea and two previous emergency meetings that failed to clinch an agreement among EU countries that disagreed on whether a price cap would help or hinder Europe's attempts to contain the energy crisis.

Roughly 15 countries, including Belgium, Greece and Poland, had demanded a cap below 200 euros/MWh – far lower than the 275 euros/MWh trigger limit originally proposed by the European Commission last month.

Poland's prime minister said the price cap would end Russia and Gazprom's ability to distort the market.

"At the recent meetings in Brussels, our majority coalition managed to break the resistance – mainly from Germany," Mateusz Morawiecki wrote on Twitter. "This means the end of market manipulation by Russia and its company Gazprom."

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## **Saudi oil minister says Opec+ will stay cautious on production**



Bloomberg / Sharm El-Sheikh

Saudi Arabia's energy minister said Opec+ will remain cautious on oil production, weeks after the group angered the US by lowering output.

The 23-nation alliance, led by Riyadh and Russia, is set to meet on December 4 to decide whether to cut production again, keep it stable or reverse course and pump more. Members are looking at the state of the global economy and seeing plenty of "uncertainties," Prince Abdulaziz bin Salman said.

Oil has dipped since June as central banks raise interest rates and China maintains its Covid Zero strategy. But Brent is still above \$95 a barrel and up 23% this year, with many traders concerned about supply shortages once the European Union effectively bans the import of Russian crude from next month.

"Our theme is being cautious," the minister said at the Saudi Green Initiative during the COP27 climate summit in Egypt. "It's about being responsible and not losing sight of what the market requires."

He cited last month's report from the International Monetary Fund that said the "worst is yet to come" for many economies. "It's about recession," he said in a Bloomberg TV interview.

"I also see what central banks are saying and doing."

China loosened some coronavirus restrictions on Friday, including cutting the amount of time travellers must spend in quarantine. The move boosted oil prices and Chinese stocks. But many analysts doubt there'll be a rapid reopening of the country.

"The jury is still out," Prince Abdulaziz said. "The Chinese authorities are saying they are going to continue to be strict and diligent and follow the same regimentation that they have."

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## **Oil giants face backlash for handing record profits to investors**



Bloomberg / New York

Big Oil's record profits are a huge hit on Wall Street but



increasingly provocative in the corridors of power from Washington to London as politicians lash out against executives for funnelling windfall profits to investors.

The controversy this week was not so much about the gargantuan dollar amounts earned but what the world's largest energy companies chose to do with them. Exxon Mobil Corp, Chevron Corp, Shell Plc and TotalEnergies SE are handing almost \$100bn to shareholders annually in the form of buybacks and dividends while reinvesting just \$80bn in their core businesses this year, according to data compiled by Bloomberg.

"Can't believe I have to say this, but giving profits to shareholders is not the same as bringing prices down for American families," President Joe Biden tweeted on Friday in response to Exxon's dividend increase.

Biden assailed Exxon again Friday evening at a Democratic fundraiser in Philadelphia, saying the company's earnings were "the most it's made in its 152-year history, while the rest of America is struggling."

"Those excess profits are going back to their shareholders and their executives instead of going to lower prices at the pump and giving relief to the American people, who deserve it and need it," he added.

"I'm going to keep harping on it," Biden vowed. "They talk about me picking on them – they ain't seen nothing yet. I mean it. It outrages me. Representative Ro Khanna, a California Democrat, called energy profits "obscene," and introduced legislation to prohibit fuel exports, a move he said would lower prices at the pump. Senate Majority Leader Chuck Schumer called the earnings "unconscionable."

Russia's post-invasion halt to natural gas shipments to much of Europe and sanctions on the country's oil exports triggered a global scramble for energy supplies, bidding up prices in the process.

With gasoline prices and household utility bills squeezing consumers and pushing up inflation, politicians are demanding major oil companies reinvest more profits in drilling and refining to ease the strain.

For their part, oil executives, under pressure on emissions and years of poor returns, are in no mood to back down.

"There are hard times, as we saw just two years ago where we had enormous losses," Chevron chief executive officer Mike Wirth said on Bloomberg TV. "You move into another part of the cycle and you have strong earnings. Good times don't last just like the difficult times don't last. We have to invest through those cycles."

Wirth rejected the idea that current profits are a windfall and warned politicians against enacting any "short-sighted" policies that would restrain investment.

Earlier this year, the UK passed a windfall-profits tax on domestic oil and gas producers including BP Plc and Shell to claw back some of their extraordinary earnings, and there may be more measures on the way. Prime Minister Rishi Sunak says all options are on the table as he attempts to fill a £35bn (\$40.7mn) budget shortfall.

The European Union also gave a green light earlier this year for countries to implement windfall levies. An analysis from Boston Consulting Group found that the measure could raise as much as 150bn euros (\$149mn) in the next year. "There's just a big gap in country finances and this is a way to fill that," said Anders Porsborg-Smith, a managing director at BCG. "And it's rarely unpopular to tax supernormal profits."

California Governor Gavin Newsom, also a Democrat, said it's time to "crack down on oil's price gouging tactics and put their profits back into our pockets," adding "gas prices shouldn't be this high." But analysts say California's strict clean-fuel standards are a major reason why the state pays more for gasoline than any other in the US.

Windfall taxes may be popular but whether they're effective is another matter. Shell hasn't had to pay any windfall tax in the UK so far, despite making record-setting profits this year, due to increased investment in the North Sea. More importantly, the industry says such taxes risks chilling investment by the oil majors at a time when they're most needed.



Exxon and Chevron are increasing oil and gas output fast in the Permian Basin, and both reported strong refining throughput in the third quarter, but there's a limit to how much they can do to ease prices in the short-term. Major projects take years of planning and development. Bad policy is a factor behind today's energy crisis, according to Exxon CEO Darren Woods.

"Unfortunately, the markets that we're in today are a function of many of the policies, and some of the narrative that's floated around in the past," he said. "Our focus is really making sure people understand what the potential consequences of some of these policies are."

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**QatarEnergy Trading to  
offtake, market 70% of LNG  
produced by Golden Pass  
project in US**



## Doha

Affiliates of QatarEnergy and ExxonMobil have agreed to independently offtake and market their respective proportionate equity shares of LNG produced by the Golden Pass LNG Export Project located in Sabine Pass, Texas, the US.

Pursuant to the agreement, QatarEnergy Trading, a wholly owned subsidiary of QatarEnergy, will offtake, transport, and trade 70% of the LNG produced by Golden Pass LNG.

The construction of Golden Pass, which has a total production capacity in excess of 18mn tonnes of LNG per year, is well underway with first LNG production expected by the end of 2024.

Commenting on this development, HE the Minister of State for Energy Affairs, Saad bin Sherida al-Kaabi, also the President and CEO of QatarEnergy said, "The energy market is highly dynamic and undergoing a period of transformation, and LNG will continue to play a key role in meeting global energy demand and ensuring security of supply. This agreement is an important addition to our efforts to meet demand for cleaner energy and to support the economic and environmental requirements for a practical, equitable and realistic energy transition."

Al-Kaabi added: "QatarEnergy is the global leader in LNG, the cleanest of all fossil fuels, and it is only natural for us to increase focus on LNG trading and portfolio optimisation to

deliver innovative LNG solutions that meet the needs of our customers across the globe. I am proud of what QatarEnergy Trading has achieved in the very short time since its inception and with this new addition to its portfolio, I am confident that QatarEnergy Trading will accelerate its efforts to deliver on our aspiration of becoming a world leader in LNG trading in the near future.”

As a result of this arrangement, Ocean LNG Limited, a joint venture established in 2016 between affiliates of QatarEnergy and ExxonMobil for offtaking and marketing the entire production of Golden Pass LNG, has ceased operations, and will be wound down.