

# Saudi Aramco says global energy transition goals are 'unrealistic'



AFP / Riyadh

Oil giant Saudi Aramco's chief on Tuesday blasted "unrealistic" energy transition plans, calling for a "new global energy consensus", including ramped-up investments in fossil fuels to address painful shortages.

Speaking at a conference in Switzerland, Amin Nasser, head of the world's biggest crude producer, lamented a "deep misunderstanding" of what caused the current energy crunch and said a "fear factor" was holding back "critical" long-term oil and gas projects.

"When you shame oil and gas investors, dismantle oil- and coal-fired power plants, fail to diversify energy supplies (especially gas), oppose LNG receiving terminals, and reject nuclear power, your transition plan had better be right," he said.

"Instead, as this crisis has shown, the plan was just a chain

of sandcastles that waves of reality have washed away.

“And billions around the world now face the energy access and cost of living consequences that are likely to be severe and prolonged.”

The primarily state-owned Saudi Aramco last month unveiled record profits of \$48.4bn in the second quarter of 2022, after Russia’s invasion of Ukraine and a post-pandemic surge in demand sent crude prices soaring.

Yet even as it benefits from the current energy crisis, Riyadh has long complained that focusing on climate change at the expense of energy security would further fuel inflation and other economic woes.

With consumers and businesses in Europe facing soaring bills as winter approaches, the causes of the crisis run deeper than the Ukraine war, Nasser said Tuesday, asserting that the warning signs were “flashing red for almost a decade”. They include declining oil and gas investments dating back to 2014 and flawed models for how quickly the world could transition to renewable sources, he said.

The “energy transition plan has been undermined by unrealistic scenarios and flawed assumptions because they have been mistakenly perceived as facts”, Nasser said.

His proposed “new global energy consensus” would involve recognising long-term needs for oil and gas, enhancing energy efficiency and embracing “new, lower-carbon energy” to complement conventional sources. Nasser nonetheless said there should be no change in global climate goals.

Riyadh has come under intense outside pressure in recent months to ramp up oil production, including during a visit by US President Joe Biden in July.

So far it has largely rebuffed those appeals, co-ordinating with the Opec+ alliance it jointly leads with Russia.

Earlier this month the bloc agreed to cut production for the first time in more than a year as it seeks to lift prices that have tumbled due to recession fears.

Long-term, Saudi Arabia plans to increase daily oil production capacity by more than 1mn barrels to exceed 13mn by 2027.

Crown Prince Mohamed bin Salman has also tried to make environmentally friendly policies a centrepiece of his reform agenda.

Last year, Saudi Arabia pledged ahead of the COP26 climate change summit to achieve net zero carbon emissions by 2060.

Saudi Aramco, for its part, has pledged to achieve “operational net-zero” carbon emissions by 2050. That applies to emissions that are produced directly by Aramco’s industrial sites, but not the CO<sub>2</sub> produced when clients burn Saudi oil in their cars, power plants and furnaces.

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## **Qatari Minister: No ‘Quick Fix’ to EU Gas Crisis**



There is not much Qatar can do to alleviate Europe’s gas crisis in the short term due to contractual commitments, Qatari Energy Minister Saad al-Kaabi tells Energy Intelligence

– but further out, in five to seven years, new Qatari LNG exports to Europe should be significant. In an exclusive interview, al-Kaabi said production from the Golden Pass LNG project in the US, where QatarEnergy partners with Exxon Mobil, is due on stream in 2024 and is “already earmarked for Europe.” Up to half of new output from Qatar’s 48 million ton per year North Field mega-expansion could also go West of Suez when it starts up from 2026. Al-Kaabi also serves as head of state-owned QatarEnergy, which is in active discussions with customers for the new supplies. Significantly, targeted contract durations are shorter than the 20-year deals seen in Qatar’s original LNG expansion, reflecting European reluctance to lock into gas supplies long-term. “I think 10-15-year deals are probably what are most acceptable to both sides. But for us, the long-term deal, it’s not just about duration, it’s about price,” he said. Even with such supplies, al-Kaabi expressed skepticism about Europe’s ability to completely wean itself off Russian gas. Europe will find it “very difficult” to completely forgo Russian pipeline gas for more than two winters. Despite storage, fuel switching and active efforts to expand LNG imports, “a quick fix” to the EU’s dependency on Russian gas does not exist.

Qatar’s North Field expansion is attracting enormous interest from foreign investors, with TotalEnergies tipped to become the first of the Phase-2 partners to be selected later this month. But investors in existing Qatari projects face a rocky ride when contracts on current joint ventures expire, as Exxon and Total discovered when their prized Qatargas-1 contract was not renewed last year. Al-Kaabi revealed that QatarEnergy came close to going it alone on the North Field expansion, too. Qatar, which is generating around 1 million barrels of oil equivalent per day of net output for Exxon, Total and Shell alone, is critical for the majors. However, “if there is no value, there is no partnership, very plain and simple,” al-Kaabi said. Even if joint ventures are maintained after expiry, terms will be tougher. For Exxon, which has stakes in

nine of Qatar's 14 trains, these contract renewals are especially strategic. Qatar knows the value of its LNG will likely drive a hard bargain. "An investment in Qatar is really an important downside-risk revenue maker" for partners, al-Kaabi said.

LNG is only part of a multifront, international investment drive now under way at QatarEnergy. Downstream, petrochemicals is a priority, with al-Kaabi touting QatarEnergy's planned US project with Chevron Phillips Chemical as "the largest polyethylene plant." It recently awarded construction contracts for a 1.2 million ton/yr blue ammonia project, also tipped to be the biggest of its kind. But its global upstream drive is most significant. There were doubters when the strategy launched, but QatarEnergy has been vindicated over the past year by major exploration success in Namibia. QatarEnergy, by virtue of sizable stakes in both Total and Shell discoveries, is poised to be the largest reserves holder in a significant new oil province – Total's Venus discovery is described as the largest deepwater find ever. There have also been offshore gas discoveries in Cyprus and South Africa. And in Brazil, output at QatarEnergy's offshore Sepia field is set to more than double to 400,000 barrels per day in the next couple of years.

Despite confidence in long-term gas demand, QatarEnergy is taking steps to ensure its place in the energy transition. It is investing heavily in greenhouse gas emission mitigation technology at projects. Over \$250 million is being spent on such measures at the LNG expansion alone – principally carbon capture and storage (CCS) and solar power. Some 11 million tons/yr of CCS is planned by 2035. "From an overall value chain, Qatari LNG will be the least carbon footprint LNG you can get," al-Kaabi said. "We think that our buyers, and our investors that have joined us in [North Field East expansion], see this as the Rolls-Royce of projects." Transition pressures are feeding into the urgency for developing projects. "I am a

believer that you need to monetize what you can because the market conditions change, and there is a competitive advantage to go ahead of others,” al-Kaabi stated.

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## Russia's Oil Resilience Faces Bigger Test as EU Ban Looms



Russia defied expectations of a collapse in oil production following its invasion of Ukraine. But Moscow will have to redouble its efforts to find new buyers if it's to keep output from shrinking in the coming months.

After plunging in the immediate aftermath of its offensive in February, Russian production has rebounded over the past three months as domestic refining boomed and Asian customers stepped in to take shipments shunned by Western buyers. Yet a looming

European Union ban on most Russian crude, as well as a gathering economic slowdown, will strike a blow to the country's producers.

"Russian oil companies have been enjoying the beauties of the summer season – soaring domestic demand and the absence of EU sanctions have allowed them to ramp up production," said Viktor Katona, head of sour-crude analysis at data firm Kpler. "As we look into the immediate future, that is bound to change."

Russian output of crude and condensate – a lighter type of oil – reached a wartime high of around 10.8 million barrels a day in July. Volumes may fall to about 10.5 million a day when the EU ban kicks in in December, Katona said. Analysts at Rystad Energy AS see some 10.1 million a day by year-end, while the International Energy Agency expects a slump of about 2 million a day by the start of 2023.

Russia's Energy Ministry didn't respond to requests for comment on its outlook for future production as the EU restrictions approach.

The embargo, which will apply to imports of seaborne crude and most piped supplies from Dec. 5, is set to remove some 1.3 million barrels a day from the European market, IEA estimates show. A ban on oil-product imports follows on Feb. 5, likely cutting a further 1 million barrels a day, the IEA said last week.

Many traditional buyers are already refusing to take Russian barrels, prompting Moscow to sell to customers in Asia, often at a substantial discount. Russia has this year raised its seaborne crude flows to the region by almost 800,000 barrels a day, according to vessel-tracking data compiled by Bloomberg.

But the country can't count on Asia to mop up all the spare barrels once the EU ban comes into effect as the region is already saturated with Russian crude, according to analysts at



Kpler, Rystad and Moscow-based BCS Global Markets.

“In the short term, Asia is already taking almost all that it can,” said Ron Smith, an analyst at BCS.

A loss of Russian production equal to all its current seaborne exports to Europe is a worst-case scenario and unlikely to materialize, said Sergei Vakulenko, an independent expert with more than 25 years’ experience in the Russian oil industry. He expects that traders globally will be eager to find buyers for the extra Russian volumes, given a dearth of spare production capacity elsewhere.

Vakulenko sees Russian output remaining roughly flat until year-end, a view shared by Kirill Bakhtin, a senior oil and gas analyst at Sinara Bank.

“We expect more or less stable production of Russian liquid hydrocarbons in the amount of 10.8 million barrels per day until February 2023,” thanks to successful efforts to redirect oil from Europe to Asia, Bakhtin said.

In the first couple of weeks this month, Russia’s daily crude oil and condensate output averaged about 10.47 million barrels a day, according to a Kommersant newspaper report Monday. The 3% drop from July is likely driven by seasonality and not by long-term factors such as sanctions, with much of the lower supply coming from a group of smaller producers, including gas giant Gazprom PJSC, according to the Energy Ministry’s CDU-TEK data seen by Bloomberg.

## **Refinery Demand**

Russia’s seaborne exports have recently slid from their spring peaks, but oil producers have been bolstered by growth in domestic refining amid higher seasonal fuel demand at home and abroad.

Yet toward the end of the year, any attempt to process more



crude domestically and increase output of lighter products – which may find a market in Europe before the February ban is enforced – would also mean production of heavier fuels that are harder to sell in the colder months.

In spring, Russian producers were able to find buyers for their fuel oil in the Middle East after the US imposed its own ban. But demand in that region may ebb as the weather cools, limiting Russia's ability to export the heavy product, said Mikhail Turukalov, chief executive officer of Moscow-based Commodities Markets Analytics LLC.

In the colder months, Russia also lacks the logistical capability needed for a major hike in fuel-oil exports, Turukalov said.

“This winter, oil-processing in Russia will hardly be able to grow enough to compensate for the expected oil-export declines,” he said.

– *With assistance by James Herron, and Julian Lee*

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# **Coal giants are making mega profits as climate crisis grips the world**



The globe is in the grips of a climate crisis as temperatures soar and rivers run dry, and yet it's never been a better time to make money by digging up coal.

The energy-market shockwaves from Russia's invasion of Ukraine mean the world is only getting more dependent on the most-polluting fuel. And as demand expands and prices surge to all-time highs, that means blockbuster profits for the biggest coal producers.

Commodities giant Glencore Plc reported core earnings from its coal unit surged almost 900% to \$8.9 billion in the first half – more than Starbucks Corp. or Nike Inc. made in an entire year. No. 1 producer Coal India Ltd.'s profit nearly tripled, also to a record, while the Chinese companies that produce more than half the world's coal saw first-half earnings more than double to a combined \$80 billion.

The massive profits are yielding big pay days for investors. But they will make it even harder for the world to kick the habit of burning coal for fuel, as producers work to squeeze out extra tons and boost investment in new mines. If more coal is mined and burned, that would make the likelihood of keeping global warming to less than 1.5 degrees Celsius even

more remote.

It's a remarkable turnaround for an industry that spent years mired in an existential crisis as the world tries to shift to cleaner fuels to slow global warming. Banks have been pledging to end financing, companies divested mines and power plants, and last November world leaders came close to a deal to eventually end its use.

Ironically, those efforts have helped fuel coal producers' success, as a lack of investment has constrained supply. And demand is higher than ever as Europe tries to wean itself off Russian imports by importing more seaborne coal and liquefied natural gas, leaving less fuel for other nations to fight over. Prices at Australia's Newcastle port, the Asian benchmark, surged to a record in July.

The impact on profits for the coal miners has been stunning and investors are now cashing in. Glencore's bumper earnings allowed the company to increase returns to shareholders by another \$4.5 billion this year, with the promise of more to come.

Gautam Adani, Asia's richest person, capitalized on a rush in India to secure import cargoes amid a squeeze on local supply. Revenue generated by his Adani Enterprises Ltd. jumped more than 200% in the three months to June 30, propelled by higher coal prices.

US producers are also reaping bumper profits, and the biggest miners Arch Resources Inc. and Peabody Energy Corp. say demand is so strong at European power plants that some customers are buying the high-quality fuel typically used to make steel to generate electricity instead.

The wild profits threaten to become a political lightning rod as a handful of coal companies cash in while consumers pay the price. Electricity costs in Europe are at record highs and people in developing nations are suffering daily blackouts

because their utilities can't afford to import fuel. Earlier this month, United Nations Secretary-General Antonio Guterres lashed out at energy companies, saying their profits were immoral and calling for windfall taxes.

Coal's advocates say the fuel remains the best way to provide cheap and reliable baseload power, especially in developing countries. Despite the huge renewable rollout, burning coal remains the world's favorite way to make power, accounting for 35% of all electricity.

While western producers cash in on the record prices – with companies such as Glencore committed to running mines to closure over the next 30 years – top coal consumers India and China still have growth on the agenda.

The Chinese government has tasked its industry with boosting production capacity by 300 million tons this year, and the nation's top state-owned producer said it would boost development investment by more than half on the back of record profits.

Coal India is also likely to pour a large chunk of its earnings back into developing new mines, under government pressure to do more to keep pace with demand from power plants and heavy industry.

China and India worked together at a UN conference in Glasgow last year to water down language in a global climate statement to call for a “phase down” of coal use instead of a “phase out.”

At the time, few would have predicted just how expensive the fuel would become. Just a year ago, the biggest international mining companies – excluding Glencore – were in a full retreat from coal, deciding the paltry returns were not worth the increasing pressure from investors and climate activists.

When Anglo American Plc spun off its coal business and handed

it over to existing shareholders, one short seller, Boatman Capital, said the new business was worth nothing. Instead the stock – known as Thungela Resources Ltd. – skyrocketed, gaining more than 1,000% since its June 2021 listing, with first-half earnings per share up about 20-fold.

Glencore itself snapped up a Colombian mine from former partners Anglo and BHP Group. The nature of the deal, and rising coal prices, meant Glencore essentially got the mine for free by the end of last year. In the first six months of this year, it made \$2 billion in profit from that one mine, more than double its entire coal businesses earnings in the same period last year.

The earnings look set to keep rolling in, as analysts and coal executives say the market will remain tight.

“As we stand today, we don’t see this energy crisis going away for some time,” Glencore Chief Executive Officer Gary Nagle said.

– *With assistance by David Stringer, and Will Wade*

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## **Absorbing energy transition shock**



By Owen Gaffney/ Stockholm

**The challenge for politicians is to devise fair policies that protect people from the inevitable shocks**

Russia's war on Ukraine has sent shockwaves around the world. Oil prices have skyrocketed and food prices have soared, causing political instability. The last time food prices were this volatile, riots erupted across the Arab world and from Burkina Faso to Bangladesh. This time, the energy and food shock is happening against the backdrop of the Covid-19 pandemic. When will the shocks end?

They won't. So, we can choose either resignation and despair, or a policy agenda to build social and political resilience against future shocks. Those are our options, and we had better start taking them seriously, because the shocks are likely to get worse. On top of geopolitical crises, the climate emergency will bring even greater disruptions, including ferocious floods, mega-droughts, and possibly even a simultaneous crop failure in key grain-producing regions worldwide. It is worth noting that India, the world's second-largest wheat producer, recently banned exports as part of its response to a devastating heatwave this spring.

But here's the thing: reducing vulnerability to shocks, for example, by embarking on energy and food revolutions, will also be disruptive. The energy system is the foundation of industrialised economies, and it needs to be overhauled to phase out fossil fuels within a few decades. Huge industries like coal and oil will have to contract, and then disappear. And agriculture, transportation, and other sectors will need to change radically to become more sustainable and resilient. The challenge for politicians, then, is clear: to devise fair policies that protect people from the inevitable shocks.

One idea with significant potential is a Citizen's Fund, which would follow a straightforward fee-and-dividend equation. Companies that emit greenhouse-gas emissions or extract natural resources would pay fees into the fund, which would then distribute equal payments to all citizens, creating an economic cushion during a period of transformation and beyond. This is not just an idea. In 1976, the Republican governor of Alaska, Jay Hammond, established the Alaska Permanent Fund, which charges companies a fee to extract oil and then disburses the proceeds equally to all the state's citizens. In 2021, each eligible Alaskan received \$1,114 – not as a “welfare payment” but as a dividend from a state commons (in this case, a finite supply of oil). The largest dividend ever paid was during Republican Sarah Palin's governorship in 2008, when every Alaskan enjoyed a windfall of \$3,269.

In 2017, James Baker and George Shultz, two former Republican secretaries of state, proposed a similar plan for the whole United States, estimating that fees on carbon emissions would yield a dividend of \$2,000 per year to every US household. With backing from 3,500 economists, their scheme has broad appeal not just among companies and environmental-advocacy groups but also (and more incredibly) across the political aisle.

The economics is simple. A fee on carbon drives down emissions by driving up the price of polluting. And though companies would pass on these costs to consumers, the wealthiest would be the hardest hit, because they are by far the biggest,



fastest-growing source of emissions. The poorest, meanwhile, would gain the most from the dividend, because \$2,000 means a lot more to a low-income household than it does to a high-income household. In the end, most people would come out ahead.

But given that food- and energy-price shocks tend to hit low-income cohorts the hardest, why make the dividend universal? The reason is that a policy of this scale needs both broad-based and lasting support, and people are far more likely to support a programme or policy if there is at least something in it for them.

Moreover, a Citizen's Fund is not just a way to drive down emissions and provide an economic safety net for the clean-energy transition. It would also foster innovation and creativity, by providing a floor of support for the entrepreneurs and risk-takers we will need to transform our energy and food systems.

A Citizen's Fund could also be expanded to include other global commons, including mining and other extractive industries, plastics, the ocean's resources, and even knowledge, data, and networks. All involve shared commons – owned by all – that are exploited by businesses that should be required to pay for the negative externalities they create.

Of course, a universal basic dividend is not a panacea. It must be part of larger plan to build societies that are more resilient to shocks, including through greater efforts to redistribute wealth by means of progressive taxation and empowerment of workers. To that end, Earth4All, an initiative I co-lead, is developing a suite of novel proposals that we see as the most promising pathways to build cohesive societies that are better able to make long-term decisions for the benefit of the majority.

Our most important finding is perhaps the most obvious, but it is also easy to overlook. Whether we do the bare minimum to address the grand challenges or everything we can to build resilient societies, disruption and shocks are part of our future. Embracing disruption is thus the only option and a

Citizen's Fund becomes an obvious shock absorber. – Project Syndicate

- Owen Gaffney is an analyst at the Stockholm Resilience Centre and the Potsdam Institute for Climate Impact Research.

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## Gazprom gas cut casts spell on grain deal



Russia dealt a new blow to European countries over their support for Ukraine yesterday, saying it would further cut gas supplies through its single biggest gas link to Germany. The move came as the first ships to export grain from Ukraine's Black Sea ports under a deal agreed last week could set sail within days, bringing a measure of hope to countries reliant on such food supplies even though the situation is still clouded by mistrust and potential danger. Both developments showed how the conflict – now in its sixth month and with no resolution in sight – is having an economic impact way beyond

the battlefields of Ukraine.

On the frontlines, the Ukrainian military reported widespread Russian artillery barrages in the east overnight and said Moscow's troops were preparing for a new assault on Bakhmut, a city in the industrial Donbas region. Russian President Vladimir Putin warned the West earlier this month that sanctions imposed on his country for its invasion of Ukraine risked triggering huge energy price rises for consumers around the world. Yesterday, Russian energy giant Gazprom, saying it was acting under the instructions of an industry watchdog, said flows through the Nord Stream 1 pipeline would fall to 33mn cubic metres per day from yesterday.

That is half of the current flows, which are already only 40% of normal capacity. Prior to the war Europe imported about 40% of its gas and 30% of its oil from Russia. The Kremlin says the gas disruption is the result of maintenance issues and Western sanctions, while the European Union has accused Russia of resorting to energy blackmail. Germany said it saw no technical reason for the latest reduction. Politicians in Europe have repeatedly said Russia could cut off gas this winter, a step that would thrust Germany into recession and lead to soaring prices for consumers already faced with painfully high energy costs. The Kremlin has said Moscow is not interested in a complete stoppage of gas supplies to Europe. Rising energy prices and a global wheat shortage are among the most far-reaching effects of Russia's invasion of Ukraine. They threaten millions in poorer countries, especially in Africa and the Middle East, with hunger. Ukraine said on Monday it hoped a UN-brokered deal to try to ease the food shortages by resuming grain exports from Black Sea ports would start to be implemented this week. Officials from Russia, Turkey, Ukraine and the United Nations agreed on Friday there would be no attacks on merchant ships moving through the Black Sea to Turkey's Bosphorus Strait and on to markets. Moscow brushed aside concerns the deal could be

derailed by a Russian missile strike on Ukraine's port of Odesa on Saturday, saying it targeted only military infrastructure.

Russia's Black Sea fleet has blocked grain exports from Ukraine since Moscow's February 24 invasion. Moscow denies responsibility for the food crisis, blaming Western sanctions for slowing its food and fertiliser exports and Ukraine for mining the approaches to its ports. Under Friday's deal, pilots will guide ships along safe channels. A Ukrainian government official said he hoped the first grain shipment from Ukraine could be made from Chornomorsk this week, with shipments from other ports within two weeks. "We believe that over the next 24 hours, we will be ready to work to resume exports from our ports," deputy infrastructure minister Yuriy Vaskov told a news conference. A United Nations spokesperson, speaking in New York, said the first ships may move within a few days.

A Joint Coordination Center will liaise with the shipping industry and publish detailed procedures for ships in the near future, he said. Russian Foreign Minister Sergei Lavrov, speaking during a tour of African countries, said there were no barriers to the export of grain and nothing in the deal prevented Moscow from attacking military infrastructure in Ukraine. The Kremlin also said the United Nations must ensure curbs on Russian fertiliser and other exports were lifted for the grain deal to work. Before the invasion and subsequent sanctions, Russia and Ukraine accounted for nearly a third of global wheat exports.

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# Libya supply drop threatens to further tighten global oil market



Bloomberg/Cairo

Libya's oil exports have fallen to about a third of last year's level after the worsening political crisis prompted the suspension of shipments from two of the nation's biggest ports.

Force majeure has been declared on crude shipments from Es Sider and Ras Lanuf, the country's largest and third-biggest export terminals, the National Oil Corp confirmed in a statement late Thursday. The ports of Brega and Zueitina haven't handled any crude for almost two months.

The drop in Libya's supply threatens to further tighten the global oil market. Brent crude has risen by about 40% this year following the invasion of Ukraine.

Libya's crude and condensate exports have declined over the past four months to a 20-month low of 610,000 barrels a day in June, according to tanker-tracking data compiled by Bloomberg.

The latest port closures are crimping export flows even further. According to Libya's national oil company, crude exports now range from 365,000 to 409,000 barrels a day. The nation, a member of the Organization of Petroleum Exporting Countries, sold an average of 1.1mn barrels a day to overseas markets last year, Bloomberg data show.

The key El Feel field, which is linked to the port of Mellitah is also subject to force majeure, a legal clause which allows companies to suspend contractual obligations due to circumstances beyond their control.

The nation has been mired in conflict since the fall of dictator Muammar Gaddafi in 2011. It's now facing a standoff between two politicians – Abdul Hamid Dbeibah and Fathi Bashagha – who each claim to be the legitimate prime minister.

The recent closures are linked to politics with some protests at ports and fields demanding the transfer of power to Bashagha, the fair and transparent distribution of oil revenues and the dismissal of NOC chairman Mustafa Sanalla.

The closures in recent weeks have also led to the North African nation so far losing 16bn dinars, according to the NOC's latest statement, as well as led to lengthy power cuts especially in the eastern region. Zueitina last exported on May 6 and Brega in mid-April, tanker-tracking data show.

"Political difference is a right, but the mistake is to use oil, the lifeblood of Libyans, as a bargaining chip," Sanalla said in the statement. "It is an unforgivable sin."

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## **JPMorgan sees 'stratospheric' \$380 oil on worst-case**



# Russian cut



Global oil prices could reach a “stratospheric” \$380 a barrel if US and European penalties prompt Russia to inflict retaliatory crude-output cuts, JPMorgan Chase & Co. analysts warned.

The Group of Seven nations are hammering out a complicated mechanism to cap the price fetched by Russian oil in a bid to tighten the screws on Vladimir Putin’s war machine in Ukraine. But given Moscow’s robust fiscal position, the nation can afford to slash daily crude production by 5 million barrels without excessively damaging the economy, JPMorgan analysts including Natasha Kaneva wrote in a note to clients.

For much of the rest of the world, however, the results could be disastrous. A 3 million-barrel cut to daily supplies would push benchmark London crude prices to \$190, while the worst-case scenario of 5 million could mean “stratospheric” \$380 crude, the analysts wrote.



“The most obvious and likely risk with a price cap is that Russia might choose not to participate and instead retaliate by reducing exports,” the analysts wrote. “It is likely that the government could retaliate by cutting output as a way to inflict pain on the West. The tightness of the global oil market is on Russia’s side.”

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## A ‘price cap’ on Russian oil: What would that mean?



Since the US and its allies decided to stop buying Russia’s oil, there has been little sign that the measure is inflicting the kind of pain that might force President Vladimir Putin to rethink his war in Ukraine. Plenty of other countries are still buying Russian crude, and a surge in prices has softened the blow from the sanctions by bringing Moscow enough revenue

to stave off economic collapse.

So Putin's adversaries are weighing a new idea: Make Russia sell its oil so cheaply that it can no longer afford to wage war at all.

## **What is being proposed?**

The US, the UK and Canada have announced bans on Russian oil, while the European Union (EU) plans to ban seaborne Russian crude by December and fuels by early next year. In a further step, US Treasury Secretary Janet Yellen is backing a proposal to allow nations that abstained from sanctions to keep buying the oil, but slash Moscow's profits on those sales.

## **How might it work?**

Group of Seven (G7) nations were said to be discussing a mechanism that would only allow the transportation of Russian crude and petroleum products sold below an agreed price threshold, to be enforced by imposing restrictions on insurance and shipping.

About 95 per cent of the world's oil tanker fleet is covered by the International Group of Protection & Indemnity Clubs in London and some firms based in continental Europe. Western governments could try to impose a price cap by telling buyers they can keep using that insurance, as long as they agree not to pay more than a certain price for the oil on board.

## **What could be the impact?**

Putin says Western nations are suffering more than Russia from the economic penalties they imposed over his invasion of Ukraine. Surging prices of Russian commodity exports have brought excess revenue that has helped his government to weather the sanctions.

Capping prices at a level that is closer to the cost of production would deal a blow to Moscow's finances, while still ensuring that energy flows to where it is needed. As Russia is one of the world's biggest oil suppliers, a price cap could also relieve inflationary pressure that's causing economic hardship across the world.

## **What are the obstacles?**

Some European officials have been wary of the idea as it would likely require the EU to reopen the legal text of its latest sanctions package, which took weeks to approve and had to overcome significant hurdles since sanctions require unanimity among the bloc's 27 nations.

If the allies do agree on a price cap but it fails to hold, it would hand a symbolic victory to Putin. There are plenty of ways that it might fail: There's no guarantee that Russia would agree to ship oil at capped prices, particularly if the cap is close to production cost.

It already showed it is willing to withhold supply of natural gas to some EU countries that refused to meet its payment demands. The Kremlin may believe that holding its oil off the market for a while would do more damage to the economies of Europe and North America than to its own.

## **Would big buyers of Russian oil fall into line?**

A price cap may be incredibly profitable for Chinese and Indian businesses, and good for combating inflation. But there are wider considerations for Beijing and New Delhi, such as their long-term relationship with Moscow. They may accept to take inferior Russian insurance rather than be told what to pay for a key commodity, even if it's at an attractively low price.

## **How about capping Russian gas prices too?**

European governments were also discussing an Italian proposal to cap prices of Russian natural gas imports as a way to curb inflation in the bloc.

Italian Energy Minister Roberto Cingolani said the idea is gaining traction as countries increasingly see it as the “only solution” to soaring costs. Gas prices in Europe have climbed almost 80 per cent this year. However, Germany and other nations have expressed skepticism.

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## **FIFA World Cup Qatar 2022 infrastructure is ready: al-Thawadi**



Hassan al-Thawadi, Secretary-General of the Supreme Committee for Delivery & Legacy (SC), said the infrastructure for the FIFA World Cup Qatar 2022 was ready. Speaking at the Qatar Economic Forum, Powered by Bloomberg, Wednesday, al-Thawadi added that work is underway to implement the rest of the projects related to some roads that witnessed delays in implementation as a result of the Covid-19 pandemic and global economic fluctuations.

The SC Secretary-General expressed his confidence that the rest of the projects related to the World Cup will be completed on time. He pointed out that efforts are being made to respond to various housing requests during the tournament's activities at acceptable prices, especially considering that FIFA received 27mn requests for World Cup tickets with 1.2 million tickets sold. The next opportunity to purchase World Cup tickets will be on a first-come, first-served basis, but the date has not been announced yet. World Cup qualification matches have now concluded and all 32 available slots for the tournament have been secured.

Al-Thawadi admitted it was hard to stop businesses taking advantage by raising prices and said he was working to limit 'price-gouging' as costs soar for the Qatari capital's

accommodation.

"I think about 1.2 million tickets have already been purchased," al-Thawadi said. "So people are actually buying and people are excited to come there. There's no doubt about that."

There will be 130,000 rooms in hotels, apartments, cruise ships and desert camps, where there will be 1,000 tents. But al-Thawadi admitted it was "tricky" reining in accommodation prices, which are soaring in line with demand. "(We want to) avoid price-gouging," he said. "Obviously market forces always mean that as long as there's a lot of demand, prices skyrocket. We're trying to create an environment where the business community benefits but at the same time, it is affordable and accessible for the fans as well."

"In terms of availability, we've tried to ensure that we provide different offerings on different categories. So from the affordable, which range from \$80 to \$100 a night all the way to the pricier ones in terms of five-star hotels," al-Thawadi said.

The SC secretary-general stated that a number of hotels will be operational before the start of World Cup which will contribute to diversifying the offer to Qatar's guests. He pointed out that the tournament will represent an opportunity for fans to travel to Qatar and the countries of the region, and to learn about different Arab cultures.

Al-Thawadi highlighted that the importance of the FIFA World Cup Qatar 2022 lies in bringing people from different parts of the world together as a major and distinguished global event, and an occasion to celebrate football and encourage national teams, stressing that this session of the tournament will allow everyone to celebrate and learn about the depth of Qatari culture in the context of respecting the customs of the country.

Al-Thawadi stressed the gains made for the benefit of workers in Qatar and the approved laws that support workers' rights,

which made Qatar a pioneer in this field, contrary to what some promote. He pointed out Qatar allocated \$28bn billion to provide jobs for workers during the World Cup.

“We’ve set benchmarks in the region by dismantling the kafala system and implementing non-discriminatory minimum wages. I’m very proud to say the SC’s project on reimbursement of recruitment fees has seen businesses voluntarily joining in and making a commitment of about \$28 million, out of which, \$22 million have been repaid to workers. This is not an initiative that’ll end when the spotlight goes away, this is something we’re committed to, and we’ll continue doing,” he said.