Wars aren’t won with peacetime economies

By Joseph E Stiglitz/New York

Politically, the G7 and likeminded countries around the world have adopted a war footing to stop Russian aggression. Russian President Vladimir Putin violated the most fundamental principle of international law by launching an unprovoked attack on another member of the United Nations – an institution created explicitly to prevent such aggression. The dangers of appeasement should be obvious. Even a little empathy should make us shudder in horror at the prospect of having to live under Putin’s rule.

It is a peculiar war. While Putin has described his project as a confrontation with the entire West, Ukrainians alone are doing all the fighting and bearing the full brunt of Russian attacks on civilians and civilian infrastructure. Meanwhile, Europe and America have provided economic and military assistance, and the rest of the world has been dealing with the war’s fallout, including higher energy and food prices.

But it is a mistake to think that the war can be won with a

peacetime economy. No country has ever prevailed in a serious war by leaving markets alone. Markets simply move too slowly for the kind of major structural changes that are required. That's why the United States has the Defence Production Act, which was enacted in 1950 and invoked recently in the "war" against Covid-19, and again to address a critical shortage of baby formula.

Wars inevitably cause shortages and generate windfall gains for some at the expense of others. Historically, war profiteers have typically been executed. But today, they include many energy producers and traders who, rather than being marched to the gallows, should be subjected to a windfall profits tax. The European Union has proposed such a measure, but it would come too late, and it is too weak and too narrow for the challenge at hand. Similarly, while several members of Congress have put forward bills to tax Big Oil's superprofits, the Biden administration has so far failed to move on the issue.

That is understandable, given that US President Joe Biden has been busy enlisting support for signal achievements like the Inflation Reduction Act and the CHIPS Act. Moreover, in seeking the private sector's cooperation in limiting price increases, he has been at pains not to appear "anti-business." But taxing windfall profits and using the proceeds to finance the necessary war spending and support for those hurt by high prices is not anti-business; it is responsible wartime governance, which is necessary to maintain popular support for the war effort. Such temporary taxes hurt neither investment nor employment, and there is nothing unjust about taxing exceptional gains that companies did nothing to deserve. (Besides, more generally, taxes on corporate profits are not distortionary, because costs, including capital, are deductible.)

Even more comprehensive measures are needed in Europe, where today's electricity market was not designed to deal with wartime conditions. Instead, it follows the principle of marginal-cost pricing. That means the electricity price

reflects the highest-cost source of production needed to meet current demand. As gas prices have soared, marginal costs have risen far above average costs. The cost of renewable energy has, for instance, changed little.

As such, many sellers of low-cost electricity are making a killing, as are the traders who bought energy at the lower pre-war prices. While these market players reap billions of euros in profits, consumers' electricity bills are soaring. Electricity prices in energy-rich Norway, with its enormous gas and oil reserves and hydro capacity, have increased nearly tenfold.

Meanwhile, households and small businesses are being pushed to the brink, and even some big companies have already gone bankrupt. Last month, Uniper, a large company supplying one-third of Germany's gas, was "nationalised," effectively socialising its massive losses. The European principle of "no state aid" has been thrown aside, mainly because European leaders moved too slowly in changing a market structure that was not designed for war.

Economists love marginal-cost pricing because it provides appropriate incentives, and because its distributive consequences tend to be small and easily manageable in normal times. But now, the system's incentive effects are small and its distributive effects are enormous. In the short run, consumers and small businesses will have to turn down their thermostat in the winter and turn it up in the summer, but comprehensive energy-saving investments take time to plan and implement.

Fortunately, there is a simpler system (already under discussion in some countries, and already being partly implemented in others) that would retain most of marginal-cost pricing's incentive effects without the distributive effects. Under a non-linear pricing framework, households and firms could be allowed to purchase 90% of their previous year's supply at the previous year's price, and 91-110% of supply at, say, 150% of the previous year's price, before the marginal-cost price kicks in.

While non-linear pricing can’t be used in many markets – owing to the possibility of “arbitrage” (buying a good at a low price and immediately reselling it at a much higher price) – electricity is not one of them. That is why some economists (like me) have long advocated its use in cases where large market failures are having important distributive effects. It is a powerful tool that governments can and should use, especially when confronting wartime conditions.

Something also must be done about soaring food prices. After a half-century of paying US farmers not to farm (an old method of agricultural price support), we now should pay them to produce more.

Such changes have become imperative. As the Vietnamese understood, wars are won as much on the political front as on the battlefield. The purpose of the 1968 Tet Offensive was not to gain territory but to change the political calculus of the war, and it worked. Defeating Russia obviously will require more help for Ukraine. But it also will require a better economic response on the part of the West more broadly. That starts with sharing more of the burden through windfall profit taxes, controlling key prices – such as those for electricity and food – and encouraging government interventions where necessary to alleviate critical shortages.

Neoliberalism, based on simplistic ideas about how markets should operate that fail to comprehend how they actually operate, didn’t work even in peacetime. It must not be allowed to stop us from winning this war. – Project Syndicate

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هوكشتاين: لبنان وإسرائيل لم يحصلا على ما يريدانه من إتفاق الترسيم البحري

أكد الوسيط الأميركي لترسيم الحدود البحرية بين لبنان وإسرائيل آموس هوكشتاين، أن "الاتفاق البحري بين الجانبين مفيد لأمن إسرائيل".

وأضاف في تصريحات لقناة 13 الإسرائيلية، نقلتها "روسيا اليوم"، "لم تحصل إسرائيل على كل ما تريده، ولم يحصل لبنان على كل ما يريده. هكذا تجري المفاوضات عادة"، متابعاً "كانت مفاوضات استمرت لما يقرب من 11 عاماً، وقررت تغيير المعادلة. غيرنا المحادثة حتى يخرج الجميع منتصرين".

وأشار إلى أن "إسرائيل تريد حصتها الاقتصادية بالطبع، لكنها تريد حقا استقرارا في البحر الأبيض المتوسط، وهيمنة إسرائيل على البحر هي نتيجة لنجاحها الهائل في تطوير مثل هذه الأبيض المتوسط الكمية الكبيرة من الغاز الطبيعي".

وتابع "خط الحماية لم يكن الحدود الرسمية بين إسرائيل ولبنان،

والآن وافق لبنان على الاعتراف به كوضع قائم بينه وبين إسرائيل، وهذا يتيح لإسرائيل القيام بدوريات على طول هذا الخط وإمكانية الإشراف عليه. هذا أمر عظيم بالنسبة لإسرائيل".

وعن تأثير تهديدات حزب الله على المفاوضات البحرية، قال هوكشتاين، "أوضحت لي إسرائيل أنه لن تكون هناك مفاوضات تحت التهديد".

وفي إشارته إلى انتقاد إسرائيل لتوقيت الاتفاق قبل الانتخابات مباشرة، علق هوكشتاين قائلاً، "كانت لدينا فترة زمنية حرجة، لو انتظرنا لما تم الاتفاق".

Israel's Karish Offshore Gas Field: Facts and Figures

The country and its energy partners have found a more efficient way to exploit smaller offshore reserves, though Western officials should temper any expectations that such developments will help ease the global energy crisis.

Amid a verbal row between Israel and Lebanon, developing the Karish natural gas field represents a way forward for exploiting smaller offshore hydrocarbon discoveries in Israel’s exclusive economic zone (EEZ). The field’s 1.75 trillion cubic feet (tcf) of reserves are much less than the estimated volumes in Israel’s two producing fields, Leviathan (35 tcf) and Tamar (7.1 tcf). But even before the recent sharp increase in gas prices, Energean, the Greek-British license

holder for Karish, decided the best way to exploit the field was by linking its development to two other small fields in the area, Karish North and Tanin.

Key to this task is the *Energean Power*, a floating production storage and offloading vessel (FPSO) that took up position fifty miles off Israel's northern coast last week and is due to start production in the third quarter of this year. The vessel will use multiple anchors in water 5,500 feet deep to maintain its position. Seabed equipment linking to the gas field below will then be connected by hoses to the FPSO. Once gas is flowing to the vessel, it will be processed onboard, cleaning it of oil products and water before it descends by other hoses to the seafloor and connects with a pipe that takes it ashore. Using a pressure control device close to the beach, it will then enter Israel's gas grid to supply power stations. Meanwhile, the separated oil products and waste will be collected by a small tanker mooring alongside the FPSO every two weeks or so, and the separated water will be cleaned and pumped back into the sea.

In Israeli domestic political terms, the crucial advantage of the *Energean Power* is that it is not visible to local residents (read: voters). In contrast, the production platform for the Leviathan field is visible just a few miles offshore from the hilltop resort of Zichron Yaakov south of Haifa, leading to protests—though the tall chimneys of the nearby Hadera power station have escaped such complaints. As for Tamar, its platform is located out of sight thirteen miles off the coast of Ashkelon far to the south, but its gas still needs additional processing at the Ashdod onshore terminal. In terms of potential security threats, the existing facilities for Leviathan and especially Tamar are closer to the Hamas-controlled Gaza Strip.

Another plus for the *Energean Power* is that it can be connected with relative ease to additional fields in the area for which Energean holds the license, without the vessel

needing to change location. The Karish North field is due to come online in the second half of 2023. Energean also judges that reserves in the "Olympus" area of Block 12 slightly further south will be commercially exploitable, though its latest drilling suggested only 0.28 tcf of reserves rather than the hoped-for 0.7 tcf. By carefully phasing such exploitation, the company hopes to maintain a steady production stream and offset the decline that occurs over the usual fifteen-year lifespan of an individual field.

In total, the *Energean Power* can handle 8 billion cubic meters (bcm) of gas per year. Setting aside the sometimes-confusing mix of metric and U.S. units of measurement represented by such figures, this amount will help meet Israel's expanding demand for energy. For example, desalination alone consumes 10 percent of the country's electricity. Eventually, surplus gas will be available for export, with Egypt as the first customer—though the purchase terms for Karish and Tanin do not permit Energean to export from those two fields.

The Lebanese Angle

Energean's planning seems unaffected by Lebanon's expanding claims for its EEZ, which encroaches on the Karish field. When tugboats moved the *Energean Power* into position last week, Hezbollah issued threats, and U.S. special envoy Amos Hochstein quickly visited Beirut to calm tempers.

From Israel's point of view, Karish is firmly in its EEZ. Moreover, dealing with threats against its gas installations is nothing new—the Leviathan platform is in range of both missiles from Lebanon and rockets from Gaza. Israel's main answer to this problem is deterrence, the implication being that any action or immediate threat against such installations would be dealt with either preemptively or through massive retaliation.

Israel and European Energy Demand

The volumes achievable from Karish and similar gas fields are significant for Israel but not in global terms. For comparison, Leviathan produces about 12 bcm per year and Tamar less than 10 bcm, while Europe's annual demand for gas was around 400 bcm even before the Ukraine crisis, with Russia supplying more than 40 percent of that amount. Clearly, increased Israeli exports would have minimal impact on this imbalance.

Nevertheless, planners are considering ways to increase Israeli production. Leviathan volumes can grow, albeit with a commensurate increase in the size of its controversial offshore platform. Israel may also be able to export gas more widely than its current arrangements: by pipeline to Jordan (where 80 percent of electricity is produced by Israeli gas) and Egypt (whose apparently insatiable domestic energy market is not sufficiently fed by the country's 75 tcf of gas reserves and estimated annual production of 65 bcm).

Currently, any exports further afield would need to be funneled via one of Egypt's liquefied natural gas plants on the Nile Delta coast. Israel may eventually be able to use a floating LNG platform off its own coast to load specially built tankers with Leviathan gas, though rough seas in winter could make this approach infeasible. Another consideration is a potential pipeline to Cyprus, where an LNG vessel moored in port could supply the island's modest domestic market while still leaving most of the Israeli product available for export further abroad. A proposal for a seabed line to take Israeli gas to Greece is effectively dead after the U.S. government signaled that the plan was logistically and commercially impractical.

Meanwhile, Israel, Egypt, and the European Union are expected to sign a memorandum of understanding on increasing gas

exports, though it is difficult to see what immediate practical effect this will have. Israel's Ministry of Energy will also open another round of bidding for licenses to explore in its EEZ. The degree of interest shown in this round will indicate how international energy companies currently regard the attractiveness of Israeli prospects.

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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

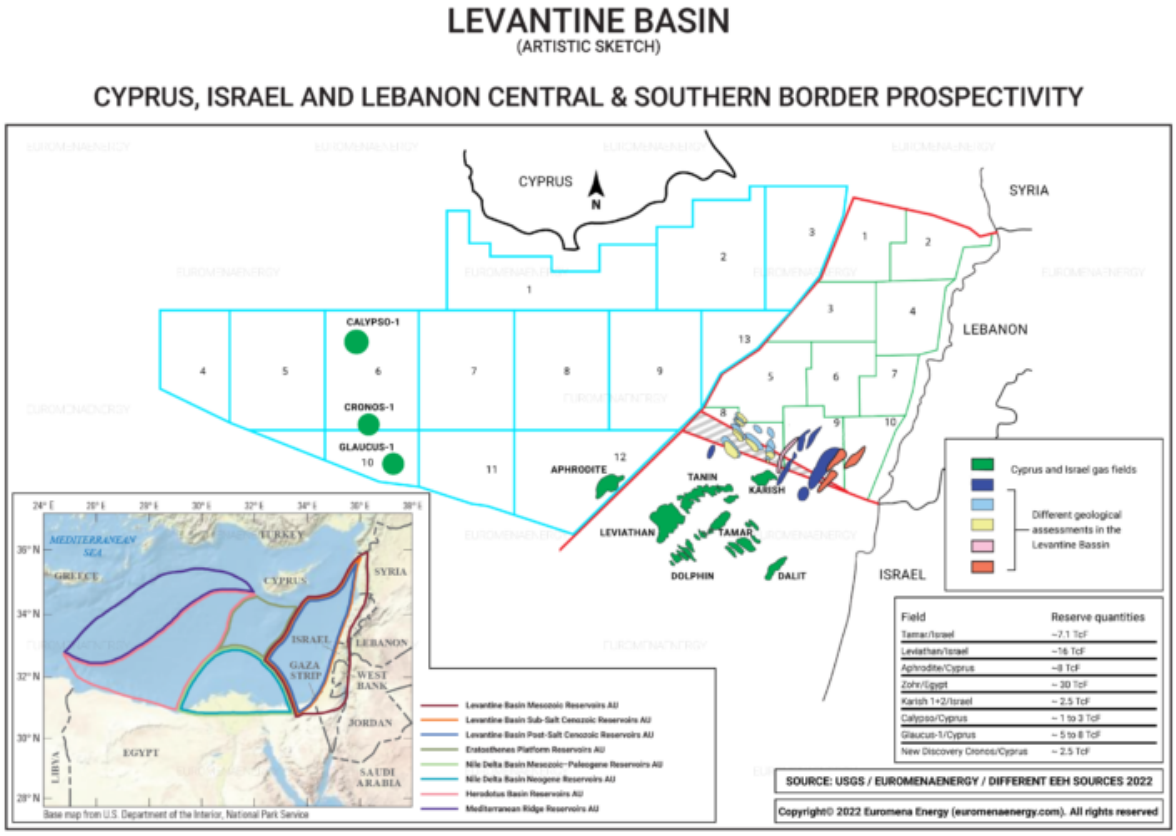
nine of Qatar's 14 trains, these contract renewals are especially strategic. Qatar knows the value of its LNG will likely drive a hard bargain. "An investment in Qatar is really an important downside-risk revenue maker" for partners, al-Kaabi said.

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.

خرائط تؤكد توفّر الغاز في مياه لبنان الإقليمية



مع وصول مفاوضات ترسيم الحدود البحرية إلى خواتيمها على الرغم من ضبابية الجواب الإسرائيلي الذي سيحمله آموس هوكشتاين إلى الدولة اللبنانية، يؤكد الخبير الدولي في شؤون الطاقة رودي بارودي لموقع "القوات اللبنانية" الإلكتروني، أن "منطقة حوض شرقي المتوسط التي هي بقعة مثيرة ومعقدة للغاية لأسباب جيو ـ "Levantine basin" سياسية، تحتوي على آفاق إمكانية وجود كمياتٍ كبيرة من البترول والغاز لم يتم اكتشافها واستغلالها بعد، خصوصاً أن المنطقة تحتوي على الكثير من الاحتياطي النفطي الممكن الاستفادة منه".

ويُضيف أن ما يؤكد هذا الأمر، هو نتائج مسح أكثر من 60 ألف كم من الخطوط الزلزالية الثنائية والثلاثية الأبعاد في منطقة حوض شرقي المتوسط فقط "Levantine basin" وتحديداً في لبنان، قبرص، إسرائيل حتى حدود مصر البحرية، وهي البلدان الموجودة حول حوض بلاد الشام، (More than approximately 60,000km of 2D and 3D seismic lines)، وذلك بين الأعوام 2002/2008 وأيضاً في العام 2016 والتي أظهرت أن هناك أكثر من 150 احتمالاً لوجود مكامن بترولية داخل مناطق المسح.

وفي هذا الاطار، أثبتت الدراسات التي أجرتها شركات PGSو Spectrum نجاحها في مناطق معيّنة ولا يزال يتعيّن إثباتها في NEOSو TGSو أحواض أخرى. ففي العامين 2008/2009، تم اكتشاف كميات من الغاز في المياه الإسرائيلية في حقلي تمار وليفياثان وأيضاً في حقل أفروديت القبرصي كما في حقل زهر في مصر العام 2015؛ علماً أن دراسات مركز المسح الجيولوجي الأميركي والتي أجريت في العام 2016 & 2010 (USGS) خلصت إلى أن الإمكانات غير المكتشفة تبلغ ضعف إجمالي ما تم اكتشافه من غاز (كما هو ظاهر في الخريطة المرفقة).

ويتابع، مع كل الاكتشافات الحديثة بما في ذلك الاكتشاف الذي أعلن عنه في حقل "كرونوس" في قبرص الأسبوع الماضي، يمكن ان نتحدث عن تقدير للكميات بأكثر من 52 تريليون قدم مكعب. كل هذه الاكتشافات التي تحيط بلبنان تؤكد أن هناك احتمالية عالية لاستخراج كميات تجارية من الغاز، وهذا ما تشير إليه وبشكل واضح العديد من التقييمات الجيولوجية التي أجرتها أهم الشركات العالمية في هذه الصناعة.

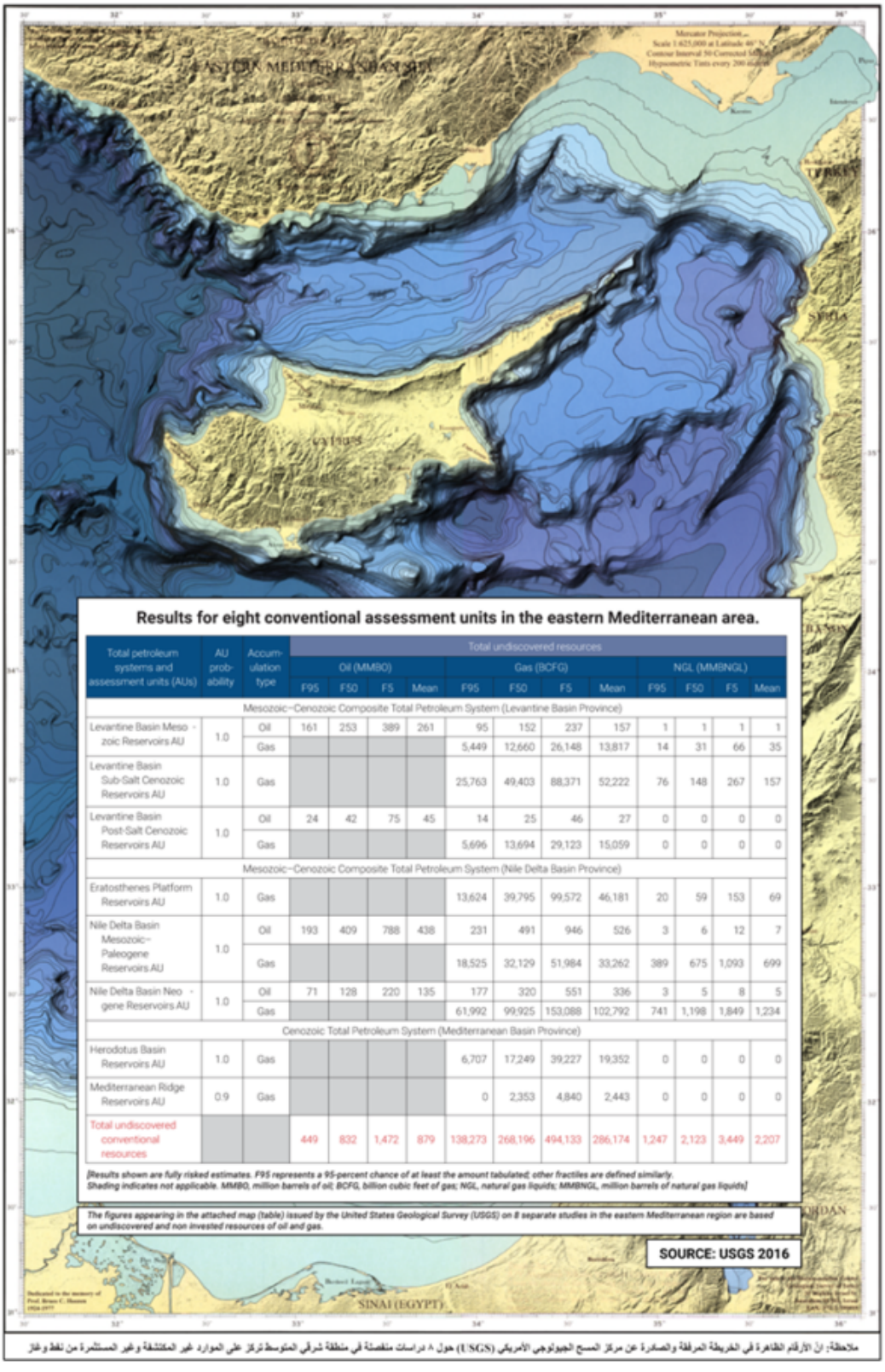
ويؤكد بارودي أنه "بناءً على العديد من النماذج المستقاة من الدراسات الجيولوجية الهيدروكربونية، كما على تحليل طبيعة باطن الأرض الصخرية، يمكن الجزم أنه يوجد ما يكفي من الموارد الطبيعية

وبكميات كبيرة في شرقي المتوسط لا تزال غير مكتشفة وغير مستثمرة، لا سيما في المياه اللبنانية.

ويعتبر أن "الأهم في الموضوع أنه بعد 20 عاماً تقريباً توحّدت القيادة اللبنانية حول كيفية التعامل مع ملف يمكنه إنقاذ لبنان من المعاناة الاقتصادية والمالية التي يمرّ بها وأعني بذلك موقفهم الموحّد حول ترسيم الحدود البحرية مع إسرائيل". ويشدد في السياق، على أن "لبنان يحتاج في أسرع وقت ممكن إلى إجراء العديد من الإصلاحات المطلوبة لإعادة إنتاج نظامه المالي والقضائي والاقتصادي، وفي حال ترافق الإصلاحات مع إبعاد ملف النفط عن المناكفات السياسية، سيعرف لبنان نهضة اقتصادية ومالية أكيدة ما يساعد على تطوير البنى التحتية التي هو في أمسّ الحاجة إليها ويُعيد الأمل إلى الشعب اللبناني وتزدهر قطاعات عدة ومنها القطاع المصرفي والتعليمي والاستشفائي".

LEVANTINE BASIN

UNDISCOVERED RESOURCES SUMMARY



Results for eight conventional assessment units in the eastern Mediterranean area.

Total petroleum systems and assessment units (AUs)	AU probability	Accumulation type	Total undiscovered resources											
			Oil (MMBO)				Gas (BCFG)				NGL (MMBNGL)			
			F95	F50	F5	Mean	F95	F50	F5	Mean	F95	F50	F5	Mean
Mesozoic–Cenozoic Composite Total Petroleum System (Levantine Basin Province)														
Levantine Basin Mesozoic Reservoirs AU	1.0	Oil	161	253	389	261	95	152	237	157	1	1	1	1
		Gas					5,449	12,660	26,148	13,817	14	31	66	35
Levantine Basin Sub-Salt Cenozoic Reservoirs AU	1.0	Gas					25,763	49,403	88,371	52,222	76	148	267	157
Levantine Basin Post-Salt Cenozoic Reservoirs AU	1.0	Oil	24	42	75	45	14	25	46	27	0	0	0	0
		Gas					5,696	13,694	29,123	15,059	0	0	0	0
Mesozoic–Cenozoic Composite Total Petroleum System (Nile Delta Basin Province)														
Eratosthenes Platform Reservoirs AU	1.0	Gas					13,624	39,795	99,572	46,181	20	59	153	69
Nile Delta Basin Mesozoic–Paleogene Reservoirs AU	1.0	Oil	193	409	788	438	231	491	946	526	3	6	12	7
		Gas					18,525	32,129	51,984	33,262	389	675	1,093	699
Nile Delta Basin Neogene Reservoirs AU	1.0	Oil	71	128	220	135	177	320	551	336	3	5	8	5
		Gas					61,992	99,925	153,088	102,792	741	1,198	1,849	1,234
Cenozoic Total Petroleum System (Mediterranean Basin Province)														
Herodotus Basin Reservoirs AU	1.0	Gas					6,707	17,249	39,227	19,352	0	0	0	0
Mediterranean Ridge Reservoirs AU	0.9	Gas					0	2,353	4,840	2,443	0	0	0	0
Total undiscovered conventional resources			449	832	1,472	879	138,273	268,196	494,133	286,174	1,247	2,123	3,449	2,207

[Results shown are fully risked estimates. F95 represents a 95-percent chance of at least the amount tabulated; other fractiles are defined similarly. Shading indicates not applicable. MMBO, million barrels of oil; BCFG, billion cubic feet of gas; NGL, natural gas liquids; MMBNGL, million barrels of natural gas liquids]

The figures appearing in the attached map (table) issued by the United States Geological Survey (USGS) on 8 separate studies in the eastern Mediterranean region are based on undiscovered and non invested resources of oil and gas.

ملاحظة: إن الأرقام الظاهرة في الخريطة المرفقة والصادرة عن مركز المسح الجيولوجي الأمريكي (USGS) حول ٨ دراسات منفصلة في منطقة شرقي المتوسط ترتكز على الموارد غير المكتشفة وغير المستثمرة من نفط وغاز

ويضيف، إذ إن كل هذه التطورات، ولا سيما التوصل مع إسرائيل إلى ترسيم واضح للحدود البحرية يحافظ على المصالح اللبنانية، يمكنه

أن يساهم في معاودة شركات النفط التنقيب في البحر اللبناني، كما يساعد على تشجيع الشركات العالمية على التقدم إلى عمليات الاستكشاف النفطي سواء في البحر أو البرّ، ما يساعد في خلق جوّ اقتصادي مُريح يحتاجه لبنان.

ويقول في هذا الإطار، لا بد من شكر الجهود الحثيثة التي تقوم بها الإدارة الأميركية من أجل إيجاد حل عادل للنزاع الحدودي البحري مع اسرائيل.

ويتابع بارودي، على لبنان وفور الانتهاء من المفاوضات غير المباشرة مع إسرائيل، أن يعدّل إحداثيات المرسوم 6433 ويودعها كي، DOALOS لدى الأمم المتحدة ـ قسم شؤون المحيطات وقانون البحار يحافظ على حقوقه المكتسبة كما على إسرائيل أن تفغل الشيء نفسه.

أما بخصوص انسحاب الشركة الروسية "نوفاتيك" من تحالف شركات "إيني" و"توتال"، فيؤكد أنه "أمر طبيعي مع وجود العقوبات الأميركية على الشركة الروسية، إذ لا تستطيع الأخيرة أن تستقبل أو أن تحوّل أموالاً طالما أن نظام العقوبات يطاولها".

ويؤكد بارودي، "نعم يستطيع لبنان الخروج من النفق المظلم، شرط أن تتكاتف الإرادات الحسنة للعمل على إنقاذه".

Russian gas cuts will not kill German economy

By Daniel Gros/Brussels

Much of the conventional wisdom about Europe's current natural-gas crisis – triggered by reduced deliveries from Russia – rests on two assumptions: that the German economy depends on cheap Russian gas, and that this bet has gone spectacularly wrong. But while German industry is strong, and the country imports a lot of natural gas from Russia, a closer inspection of the numbers and economics involved does not support the prevailing narrative.

For starters, natural gas does not play a large enough role to drive an industrial economy. In 2019, gas imports via pipeline cost Germany $30 billion, representing only 0.75% of its GDP, and the overall value of the country's gas consumption was below 2% of GDP. These modest ratios are similar across industrialised economies and suggest that cheap gas imports are highly unlikely to be a major growth factor. Moreover, even though gas consumption has stagnated in Germany and most of Western Europe over the past two decades, the economy grew, albeit slowly.

The argument that cheap Russian gas might have favoured Germany more than other countries also is not backed up by the numbers. In 2019, Germany accounted for only about 2.3% of

global natural-gas consumption, but 4.5% of world GDP. Germany's gas intensity per unit of GDP is thus about one-half of the global average, much lower than that of the United States and many other industrialised countries, including Japan and South Korea.

European economies tend to be thriftier in their energy use than the rest of the world. But even within Europe, Germany performs well, with lower gas consumption per unit of GDP than other large European economies, such as Italy and Spain. This is surprising since these two Mediterranean countries have much less need for heating in winter (and air conditioning in summer requires an order of magnitude less power than heating). Only France, with its large nuclear-power sector, is less dependent on gas.

A similar picture emerges from related metrics, such as the value of energy imports as a percentage of GDP, or gas usage for industrial purposes as a share of industrial value added. All these indicators show that the German economy uses energy less intensively than most others.

The idea that German industry gained an advantage from access to cheap Russian gas ignores the reality that there is a European gas market with, up to now, only small differences in wholesale prices across countries. One could of course argue that Russia sold its energy cheaply to Germany to make the country dependent. But the data challenge the common perception that Germany receives cheap gas.

Over the past decade, German industry has paid about 10% more for natural gas than its competitors in other major European economies. Supplies from North Sea fields have enabled British industrial firms to pay even less than their continental peers, but this does not appear to have helped them much.

The implication is that Russia obtained a non-economic benefit (German dependence on its gas supplies) for almost no cost. The inverse of this is that Germany experienced a loss of energy independence without gaining a noticeable economic advantage.

The one large economy that is both energy-intensive and has

cheap natural gas is the United States. The average US citizen uses more than twice as much natural gas as a European – 25 megawatt-hours per year for the US, compared to about 10MWh for European countries. Moreover, US natural-gas prices have been somewhat lower than German or EU prices for most of the past two decades, and are now only a fraction of the European price, as European prices have increased by a factor of five, whereas US prices have changed little. Despite this cost advantage, however, the manufacturing industry of the US – and that of the United Kingdom – has not grown particularly strongly.

Adjusting to a world without Russian gas is of course a major problem for Europe. Yet, although Germany seems more vulnerable because it used to receive a large share of its gas from Russia, this can change quickly. Germany is building new regasification capacity in record time to allow the country to import the quantities of liquefied natural gas needed to fill the gap between lower Russian supplies and domestic demand, which is already falling because of high prices.

Once this import capacity has been constructed, Germany will be in the same situation as its European neighbours, which also have to bid for LNG. Prices are likely to stay high for some time. But with an energy intensity below the EU average, Germany should be able to bear the burden slightly better than Italy, Spain, and some Eastern European countries. France, of course, will be much less affected, at least if its nuclear reactors can resume full production.

We should also not forget the global picture. Bottling up a large percentage of Russian gas (which is what will happen if Europe no longer buys from Russia) increases the global gas price, which affects Asian countries as well, because they compete with Europe on LNG. South Korea and Japan have a higher energy intensity than Europe, and even China imports large quantities of LNG, at a price similar to what European countries pay.

Expensive energy, particularly natural gas, poses a difficult economic and political challenge for all energy-importing

industrialised countries. Only the US and some other smaller energy producers such as Norway, Canada, and Australia benefit from this situation. But the data suggest that Germany is better placed to weather this crisis than most of its main competitors. – Project Syndicate

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بارودي: الجهود الأميركية بدأت تتسم بالإيجابية ما سيمكّن لبنان خلال شهر من بدء التنقيب عن النفط والغاز

، "الجهود رودي بارودي ثمّن الخبير الدّولي في مجال الطّاقة، الخارجية ولا سيّما الولايات المتحدة الأميركية الّتي تقوم بها ، عبر الوسيط آموس هوكستين، من أجل تسوية النّزاع الأميركية

”، لافتًا إلى أنّ “هذه إسرائيل و لبنان الحدودي البحري بين الجهود بدأت تتّسم بالإيجابيّة، ما سيمكّن لبنان في خلال شهر على النفط عن التنقيب أبعد تقدير من الدّخول فعليًّا في عمليّة ، ولا سيّما في البلوكات الجنوبيّة، وتحديدًا البلوك رقم 9 والغاز قانا حيث حقل ”.

وأشار، في تصريح، إلى أنّ “الطّرح الإسرائيلي للمرور بالبلوك اللّبناني رقم 8، هو مجرّد مناورة ذكيّة لهدف آخر، ذلك أنّ اتفاقيّة الغاز بين إسرائيل وقبرص واليونان، الّتي تمتدّ إلى إيطاليا وكانت قد وُقّعت في 3 كانون الثّاني من العام 2020، لن ترى النّور، باعتبار أنّ لا جدوى اقتصاديّة منها، لأنّه مهما كانت كميّة الغاز المنتَجة حاليًّا، فلن تكون مبرّرًا لإنفاق من 12 إلى 14 مليار يورو، لبناء خطّ أنابيب بقطر 48 إنشًا لمسافة 1125 ميلاً”.

وجدّد بارودي الإشادة بـ”إيجابيّة المفاوضات الجارية حاليًّا، وبالجهود المبذولة لحماية حقوق لبنان على الصّعيد الدّولي”، الدولة مركّزًا على أنّ “أكثر الأخبار إيجابيّةً، هي أنّ أركان متّفقون على التوجّه ذاته”. وأعرب عن تفاؤله بأنّ اللبنانية الاتّفاق سيصل إلى خواتيم مشجّعة ترضي جميع الجهات”.

How Europe Became So Dependent on Putin for Its Gas

Russian gas is attractive to Europe because it’s usually cheap, easy to transport and almost always available. Some European Union countries depend on it because they are shutting coal plants, and Germany is even planning for the end of nuclear power. Russia’s dominance has been enhanced by the depletion of North Sea fields controlled by the U.K. and the Netherlands. Gazprom PJSC supplies about a third of all gas

consumed in Europe and, before the Russian invasion of Ukraine, was on track to become even more important as the continent shrinks its own production. In March, however, Russia threatened to cut supplies, and the European Union began mapping out a path to reduce its dependence.

1. How did Russia become so significant?

With its vast Siberian fields, Russia has the world's largest reserves of natural gas. It began exporting to Poland in the 1940s and laid pipelines in the 1960s to deliver fuel to and through satellite states of what was then the Soviet Union. Even at the height of the Cold War, deliveries were steady. But since the Soviet Union broke up, Russia and Ukraine have quarreled over pipelines through Ukrainian territory, prompting Russian authorities to find other routes.

2. How vulnerable is Europe?

A supply crunch in late 2021 provided a vivid insight into Europe's reliance on gas flows from Russia. Storage tanks in the EU fell to their lowest seasonal level in more than a decade after longer-than-usual maintenance at Norwegian fields and Russia rebuilding its own inventories. Benchmark gas prices more than tripled. The EU vowed a decade ago to reduce its dependence on Russian energy, and continuing purchases by member nations have been a contentious issue within the economic bloc and caused rifts with the U.S.

3. What role does Ukraine play?

About a third of Russian gas flowing to Europe passes through Ukraine. Even as the crisis in the region escalated into war, analysts said Russia, with a history of supply disruptions over price disputes, probably would strive to be seen as a reliable supplier. Gazprom's shipments to Europe and Turkey were about 177 billion cubic meters in 2021, according to calculations by Bloomberg News and BCS Global Markets based on the company's data. When Ukraine and Russia reached a five-

year gas transit deal in December 2019, assuring supplies until 2024, Ukrainian President Volodymyr Zelenskiy said the nation would earn at least $7 billion from transit fees.

4. How has Russia disrupted the market before?

In 2006 and 2009, disputes with Ukraine over pricing and siphoning of gas led to cutoffs of Russian supplies transiting through the country. The second shutdown lasted almost two weeks in the dead of winter. Slovakia and some Balkan countries had to ration gas, shut factories and cut power supplies. Since then, the most vulnerable countries have raced to lay pipelines, connect grids and build terminals to import liquefied natural gas, a supercooled form of the fuel that can be shipped from as far as Qatar and the U.S.

5. What supply networks are there?

Outside supplies, mostly from Russia, Norway and Algeria, account for about 80% of the gas the EU consumes. Some of the biggest economies are among the most exposed, with Germany importing 90% of its needs — much of it via a pipeline under the Baltic Sea called Nord Stream, which has been fully operational since 2012. (This was the supply line Russia on March 7 suggested could be cut as part of its response to sanctions imposed over the invasion of Ukraine.) Belgium, Spain and Portugal face the problem of low storage capacity, as does the U.K., which no longer is part of the bloc and closed its only big gas storage site. The continent has a mass of pipelines, including Yamal-Europe, which runs from Russia through Belarus and Poland before reaching Germany, and TAG, which takes Russian gas to Austria and Italy. Many cross several borders, creating plenty of possible choke points.

6. What about the Nord Stream 2 pipeline?

It was against this background that Nord Stream 2, a new Russian pipeline alongside the first, was completed in late 2021. But it has become entangled in politics and a lengthy

regulatory process. There was strong opposition from the U.S., which imposed sanctions that delayed construction. Following the eruption of the war in Ukraine, Germany suspended its certification process for Nord Stream 2, and the EU's executive arm readied a revised energy strategy for the bloc to "substantially reduce our dependency on Russian gas this year."

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Russia cuts gas flows further as Europe makes savings plea

Reuters/Berlin/Frankfurt

Russia delivered less gas to Europe yesterday in a further escalation of an energy stand-off between Moscow and the

European Union that will make it harder, and costlier, for the bloc to fill up storage ahead of the winter heating season.
The cut in supplies, flagged by Gazprom earlier this week, has reduced the capacity of Nord Stream 1 pipeline – the major delivery route to Europe for Russian gas – to a mere fifth of its total capacity.
Nord Stream 1 accounts for around a third of all Russian gas exports to Europe.
On Tuesday, EU countries approved a weakened emergency plan to curb gas demand after striking compromise deals to limit cuts for some countries, hoping lower consumption will ease the impact in case Moscow stops supplies altogether.
The plan highlights fears that countries will be unable to meet goals to refill storage and keep their citizens warm during the winter months and that Europe's fragile economic growth may take another hit if gas will have to be rationed.
Royal Bank of Canada analysts said the plan could help Europe get through the winter provided gas flows from Russia are at 20-50% capacity, but warned against "complacency in the market European politicians have now solved the issue of Russian gas dependence."
While Moscow has blamed various technical problems for the supply cuts, Brussels has accused Russia of using energy as a weapon to blackmail the bloc and retaliate for Western sanctions over its invasion of Ukraine.
Kremlin spokesman Dmitry Peskov said Gazprom was supplying as much gas to Europe as possible, adding that sanctions-driven technical issues with equipment were preventing it from exporting more.
Yesterday, physical flows via Nord Stream 1 tumbled to 14.4mn kilowatt hours per hour (kWh/h) between 1000-1100 GMT from around 28mn kWh/h a day earlier, already just 40% of normal capacity.
The drop comes less than a week after the pipeline restarted following a scheduled 10-day maintenance period.
European politicians have repeatedly warned Russia could stop gas flows completely this winter, which would thrust Germany

into recession and send prices for consumers and industry soaring even further.

The Dutch wholesale gas price for August, the European benchmark, jumped 9% to 205 euros per megawatt hour yesterday, up around 412% from a year ago.

German finance minister Christian Lindner said he was open to the use of nuclear power to avoid an electricity shortage.

Germany has said it could extend the life of its three remaining nuclear power plants, accounting for 6% of the country's overall power mix, in the face of a possible cut-off of Russian gas.

Klaus Mueller, head of Germany's network regulator, said the country could still avoid a gas shortage that would prompt its rationing. Germany, Europe's top economy and its largest importer of Russian gas, has been particularly hit by supply cuts since mid-June, with its gas importer Uniper requiring a 15bn euro ($15.21bn) state bailout as a result. Uniper and Italy's Eni both said they received less gas from Gazprom than in recent days.

Mueller issued another plea to households and industry to save gas and avoid rationing.

"The crucial thing is to save gas," Mueller said. "I would like to hear less complaints but reports (from industries saying) we as a sector are contributing to this," he told broadcaster Deutschlandfunk.

German industry groups, however, warned companies may have no choice but cut production to achieve bigger savings, pointing to slow approval for replacing natural gas with other, more polluting fuels.

Mercedes-Benz chief executive Ola Kaellenius said a mixture of efficiency measures, increased electricity consumption, lowering temperatures in production facilities and switching to oil could lower gas use by up to 50% within the year, if necessary.

Germany is currently at Phase 2 of a three-stage emergency gas plan, with the final phase to kick in once rationing can no longer be avoided.

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

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