EU fuels Indonesia trade tensions with 5-year biodiesel tariffs

BRUSSELS: The European Union imposed five-year tariffs on biodiesel from Indonesia to counter alleged subsidies to producers in the country, a move that could prompt the Indonesian government to retaliate.

The EU duties on Indonesian exporters of this type of biofuel, which is made from vegetable oils and animal fats for use in diesel engines, range from 8% to 18%, the European Commission, the bloc’s executive arm, said on Monday.

The levies mark the definitive outcome of an EU probe into claims by the European biodiesel industry that the Indonesian government gives trade-distorting aid to the likes of PT Ciliandra Perkasa, PT Wilmar Bioenergi Indonesia and PT Musim

Mas.

Subsidised exports of Indonesian biodiesel to the EU are causing “a threat of material injury to the union industry, ” the Brussels-based commission said in the bloc’s Official Journal. The definitive anti-subsidy duties will take effect on Tuesday and follow provisional levies introduced in August at the same levels.

The five-year import taxes are the latest twist in a long-running EU trade dispute with Indonesia over biodiesel and mirror a fight the bloc has had with Argentina.

The duties restore a degree of protection that European biodiesel producers such as Verbio Vereinigte BioEnergie AG lost in 2018 when the EU scrapped tariffs aimed at countering alleged below-cost — or “dumped” — sales in the bloc by Indonesian exporters.

That move followed successful Indonesian challenges against the anti-dumping duties, which had been introduced in 2013, at the World Trade Organization and in the EU courts.

Indonesian retaliation

The EU opened the subsidy inquiry in December 2018 and the Indonesian trade minister said in August this year that, should the bloc decide to apply new biodiesel levies of 8% to 18%, Indonesia would raise its tariffs on European dairy goods to the same levels (from 5% to 10%).

The EU duty rates vary depending on the Indonesian producer. The levels are 8% for Ciliandra Perkasa, 15.7% for the Wilmar Group, 16.3% for the Musim Mas Group and 18% for the Permata Group and all other Indonesian biodiesel exporters.

Indonesian exporters’ combined share of the EU biodiesel market rose to 3.3% — or 516,088 metric tons — in the 12 months through September 2018 from 0.2% in 2017 and 0.3% in

2016, according to the commission.

Renewable-energy trade tensions between Europe and Indonesia have also grown as a result of a separate EU decision this year restricting the types of biofuels from palm oil that may be counted toward the bloc’s renewable-energy goals. In Indonesia, palm oil is the main raw material for making biodiesel.

Both sides are fighting over steel as well. The EU has complained to the WTO about Indonesian export curbs on raw materials including nickel that are used to make stainless steel and is threatening to hit flat-rolled stainless steel from Indonesia with duties to counter alleged subsidies and below-cost sales. – Bloomberg

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Gazprom for Pakistan gas pipeline feasibility study

Russian company Gazprom is set to initiate the feasibility study in the first quarter of 2020 for laying down undersea pipeline starting from Gulf to Pakistan, India and Bangladesh initially that will ultimately end to China after touching Myanmar and Thailand, a senior official of the Petroleum Division privy to the development said.

The pipeline will pass through shallow waters of Pakistan, India and Bangladesh and every country will get the gas from the pipeline as per requirements.

The total cost of the undersea pipeline will hover around $20bn-$25bn when it will be extended to China at last.

The most important aspect of the project, the official said, is that every country will provide the transit fee to Pakistan, which will run into billions of dollars when the said pipeline will ultimately have access to China.

Pakistan will be getting transit fee from India, Bangladesh, Myanmar, Thailand and China. Pakistan's Navy will provide services with regard to monitoring the pipeline and its security.

Pakistan and India have already signed MoUs and agreements with Russia separately for the project under which both countries would get gas from the undersea pipeline through the spur pipelines.

However, the three countries, at the outset Pakistan, India and Bangladesh, will benefit from the billions of dollars Russian investment as buyer countries.

According to the official, the undersea pipeline would be laid down with an estimated investment of $10 for the regional three countries and Pakistan will get gas from the undersea pipeline up to 1bcfd.

More importantly Russia-Pakistan economic corridor will also be set up and Russia will also invest in fibre optic link, roads and power projects as ancillary facilities.

Pakistan will take the gas up to 1bcf per day when the said pipeline will come on stream with massive rollover impact on economy.

Russia is already engaged with Pakistan on North South Gas Pipeline, which will cost $2bn-2.5bn. However, Gazprom has also shown interest in building gas storages in Pakistan with investment of $400mn-$500mn. Russia is also interested in investing in exploration and production activities in Pakistan and to this effect Gazprom is currently engaged with the top management of OGDCL.

However, under the agreement, another top Petroleum Division official said Gazprom Company from gas deposits in Iran and in other Middle East countries owned by Russia will ensure gas sourcing in the pipeline for the said buyer countries. The buyer countries under separate agreements with the said Russian company will have gas intakes from the said pipeline.
The official said Pakistan will share its credible data with Russian company about the demand of gas with future projections in next one decade keeping in view existing pricing structure, and regulatory and taxation regimes. The data for demand would be worked out keeping in view the renewable power policy and future LNG terminal being installed by private companies.
The same data India will provide to Russian company too.
After having the required data from Pakistan and India, the Russian company will ink commercial agreements with buyer countries. Based on data from both the countries, Gazprom will start the feasibility in the first three months of 2020 and the whole process staring from sharing the data to completion of feasibility report will be finished in one year time and if the project is found feasible, the pipeline will be laid down undersea in 3-4 years.
To a question, the official said that Pakistan had the option to build spur pipeline to connect the undersea pipeline and the spur pipeline can also be connected to S-N pipeline.

Future of solar panel production will have two faces

Solar customers increasingly want panels that capture energy from both their sunny and shady sides, as plummeting component prices finally allow such products to be cost-effective.

Panels that are bi-facial, as the technology is known, will probably become the industry standard, according to one of the world's biggest solar manufacturers, LONGi Green Energy Technology Co. They already dominate in the Middle East and are making inroads in the U.S., Europe and elsewhere, according to another top maker.

The shift is being driven by ever-cheaper parts, which are making the products profitable even though adding solar glass on the underside of panels boosts power output by less than 10%, according to BloombergNEF. Bi-facials will likely make up 15% of the global market next year, up from 4% this year, BloombergNEF analyst Wang Xiaoting said Tuesday at the research firm's annual summit in Shanghai.

Law of the Sea, Monaco Conference, East Mediterranean (Part 1)

The Eastern Mediterranean: Will Law of the Sea Applications Unlock Both Seabed Hydrocarbons and a Regional Peace? By Roudi Baroudi and Robert van de Poll

Law of the Sea, Monaco

Conference, East Mediterranean (Part 2)

The Canada-US Boundary Dispute In The Beaufort Sea: Employing an Integrated Law-And-Science Approach To Resolving Maritime Boundary Disputes In Arctic Waters by Robert van de Poll / Pieter Bekker

World’s only $100bn utility owes its rise to wind power

Two decades ago, when coal ruled U.S. power generation, a Florida utility plowed some of its extra cash into a wind farm atop a desolate Oregon plateau.

It was the start of an unimaginably successful bet.

This year, that company — now named NextEra Energy Inc. — became the world’s first utility with a market capitalization of more than $100 billion, thanks largely to its clean-power business. It’s almost twice as valuable as the oil major ConocoPhillips and has developed enough wind and solar farms across the U.S. and Canada to power the entire nation of Greece. Shares have doubled in four years, outperforming virtually every other stock in the industry.

“They made a bunch of strategic moves early and aggressively

that have paid off very well for them," said Andrew Weisel, an analyst at Scotia Howard Weil.

Not that NextEra started down the clean-energy road with a master plan. The move into renewables happened pretty much by accident after the company began lending money to wind-farm developers. Some of them ran into financial troubles. NextEra forgave debts in exchange for majority stakes in the farms.

As it would turn out, the wind farms weren't duds.

"Lo and behold, we did some projects that were quite profitable,"said Lewis Hay III, the company's chief executive officer from 2001 to 2012.

So Hay pulled together a renewable energy team of his own. One of his early moves was to recruit two of his former co-workers from a consulting firm: One was Moray Dewhurst, who eventually served as NextEra's chief financial officer. The other was Jim Robo, who at the time was an executive for General Electric Co.

Robo, a Harvard MBA, became NextEra's CEO in 2012. He rarely grants media interviews and declined to comment for this story.

"Things really took off when Lew, Moray and Jim got together," Barclays Plc analyst Eric Beaumont said.

When Robo came on board in 2002, wind power was a tiny slice of the U.S. power mix. But in another stroke of luck, Congress had just extended a tax credit that would prove to be the key to a wind generation boom across America that's still going.

It helped turn what was a once-sleepy utility – established in 1925 as Florida Power & Light – into a global powerhouse.

NextEra, which changed its name in 2009 to reflect its growing focus on alternative energy, now has wind and solar farms in about two dozen U.S. states and four Canadian provinces. They

total roughly 18 gigawatts, enough to power almost 13 million homes. Last year, its clean power business — in addition to some natural gas and nuclear plants — raked in $4.7 billion in profit, 70% of its net income.

And the company isn't done growing. It already has contracts to add another 12 gigawatts of renewables.

Challenges remain. The federal tax credit for wind farms is set to start phasing out soon. And in Florida, a campaign is under way to pass a constitutional amendment that would break up monopolies held by NextEra's utilities, Florida Power & Light Co. and Gulf Power. On an adjusted basis, the company's utility business still made up the bulk of its earnings last year.

Not all of NextEra's bets have panned out. Its $18 billion attempt to buy Oncor Electric Delivery Co. in Texas crashed and burned. And its $2.6 billion attempt to buy Hawaiian Electric Industries Inc. fell apart, too.

And for all the company's clean energy, NextEra unsuccessfully fought in support of a 2016 measure in its home state of Florida that critics said would have limited rooftop solar growth and, hence, protected utility revenue. The company has a plan to install 30 million solar panels in Florida by 2030 and use batteries to replace fossil-fuel plants in its fleet.

Long-Term Contracts

NextEra's strategy has hinged on building projects in states with deregulated power markets that required utilities to buy a certain amount of electricity from wind or solar farms, including Texas and California. It enables NextEra to line up long-term contracts, ensuring revenue for a decade or more.

Early on, Robo negotiated a deal with his old company: GE. NextEra had a contract to buy natural gas turbines from the conglomerate. But the market for gas plants was in decline. So

the utility convinced GE to rejigger the deal and allow it to buy wind turbines instead.

“That’s a cause that led us to scale up our business much faster than maybe otherwise we would have done,” Hay said. The scale soon gave the company an advantage that made it hard for others to catch up.

One of Robo’s adages is wind and solar are essentially big data operations. An early sign was in 2006, when NextEra bought WindLogics Inc., a high-tech forecaster. At the time, wind developers relied on WindLogics’s computer modeling techniques to predict wind patterns and pinpoint exactly where to site turbines. By acquiring the company, NextEra locked up that edge for itself.

“That became a very powerful advantage,” Stephen Byrd, an equity analyst at Morgan Stanley, said in an interview.

The company has said it will do just fine even after the federal tax credit for wind farm expires. The company’s size makes its well positioned to benefit from U.S.’s ongoing shift away from fossil fuels, said Timothy Winter, a portfolio manager at Gabelli Funds LLC.

“They’re still in the very early innings of the ball game,” Winter said.

Algeria’s Sonatrach renews gas export deal with France’s Engie

ALGIERS, Nov 19 (Reuters) – Algerian state energy firm Sonatrach has renewed a gas export contract with France’s Engie , it said on Tuesday, a few days after Kamel Eddine Chikhi was appointed as its new chief executive.

Energy sales represent a crucial source of foreign currency for Algeria, but have been declining since oil prices dropped in 2014.

Rising domestic demand and stagnant output have also made it hard for Sonatrach to maintain Algerian export levels. That had raised some doubts over whether the Engie deal would be renewed, an industry source in Algeria said.

onatrach said the contract covers the medium and long term, but did not specify how much gas it will deliver to Engie.

The state energy firm has already renewed gas export contracts this year with Enel, Galp Energia, Eni, Botas, Naturgy, and Edison. Its total gas exports in 2018 were 51.4 billion cubic metres, with Italy and Spain accounting for two-thirds of the volume.

“We will work to renew our oil and gas reserves that have been declining in the past decade,” Kamel Eddine was quoted as saying on Sunday after his appointment.

Algeria’s lower house of parliament has passed a new energy law to boost the country’s attractiveness to international oil companies investing in the sector, but has kept a rule preventing majority foreign ownership of hydrocarbons projects. (Reporting By Lamine Chikhi; Editing by Angus McDowall and Jan Harvey)

Europe needs robust China strategy

By Ana Palacio/ Madrid

Two months ago, in his address to the United Nations General Assembly, UN Secretary-General António Guterres expressed his fear that a "Great Fracture" could split the international order into two "separate and competing worlds," one dominated by the United States and the other by China. His fear is not only justified; the fissure he dreads has already formed, and it is getting wider.

After Deng Xiaoping launched his "reform and opening up" policy in 1978, the conventional wisdom in the West was that China's integration into the global economy would naturally bring about domestic social and political change. The end of the Cold War – an apparent victory for the US-led liberal international order – reinforced this belief, and the West largely pursued a policy of engagement with China. After China became a member of the World Trade Organisation in 2001, this process accelerated, with Western companies and investment pouring into the country, and cheap manufactured products flowing out of it.

As China's role in global value chains grew, its problematic trade practices – from dumping excessively low-cost goods in Western markets to failing to protect intellectual-property rights – were increasingly distortionary. Yet few so much as batted an eye. No one, it seemed, wanted to jeopardise the profits brought by cheap Chinese manufacturing, or the promise of access to the massive Chinese market. In any case, the thinking went, the problems would resolve themselves, because economic engagement and growth would soon produce a flourishing Chinese middle class that would propel domestic liberalisation.

This was, it is now clear, magical thinking. In fact, China

has changed the international system much more than the system has changed China.

Today, the Communist Party of China is more powerful than ever, bolstered by a far-reaching artificial intelligence-driven surveillance apparatus and the enduring dominance of state-owned enterprises. President Xi Jinping is set for a protracted – even lifelong – tenure. And, as US President Donald Trump has learned during his ill-fated trade war, wringing concessions out of China is more difficult than ever.

Meanwhile, the rules-based international order limps along, without vitality or purpose. Emerging and developing economies are frustrated by the lack of effort to bring institutional arrangements in line with new economic realities. The advanced economies, for their part, are grappling with a backlash against globalisation that has not only weakened their support for trade liberalisation and international cooperation, but also shaken their democracies. The US has gradually withdrawn from global leadership.

As a result, international relations have become largely transactional, with ad hoc deals replacing holistic co-operative solutions. Institutions and agreements are becoming shallower and more informal. Values, rules, and norms are increasingly regarded as quaint and impractical.

This has produced a golden opportunity for China to begin constructing a parallel system, centred on itself. To that end, it has created institutions like the Asian Infrastructure Investment Bank and the New Development Bank, both of which mimic existing international structures. And it has pursued the sprawling Belt and Road Initiative – an obvious attempt to position itself as a new Middle Kingdom.

Yet many, including in Europe, are not particularly concerned about the emergence of this parallel system. So long as it brings ready access to project finance, it’s fine with them. As Europe becomes increasingly alienated from the US, many Europeans also believe that they can improve their strategic position by situating themselves on the frontier between the two emerging worlds.

That strategy may offer some advantages, including opportunities for arbitrage. But as anyone who lives on a fault line knows, there are also formidable risks: friction between the two sides is bound to shake the foundations of whatever is positioned atop the boundary.

This is especially true for the European Union, which is built on a commitment to co-operation, shared values, and the rule of law. If the EU aids in building a parallel structure that contradicts its core values, particularly the centrality of individual rights, it risks severing its meta-political moorings – the beliefs to which its worldview is tethered. A Europe adrift will eventually sink.

The solution is not for Europe simply to take America's "side," and turn its back on China. (That, too, would run counter to European values.) Rather, the EU must heed Guterres's call to "do everything possible to maintain a universal system" in which all actors, including China and the US, follow the same rules.

In this sense, the recent joint statement by Xi and French President Emmanuel Macron reaffirming their strong support for the Paris climate agreement is promising, as is Europe's growing recognition that China is not only a partner or economic competitor, but also a "systemic rival." But this is only a start. Europe needs a robust China strategy that recognises the profound, often subtle challenges that the country's rise poses, mitigates the associated risks, and seizes relevant opportunities.

Achieving this will require perspective and discipline, neither of which comes naturally to the EU. But there is no other choice. As soon as Europe stops defending the rule of law and democratic values, its identity – and its future – will begin to crumble. – Project Syndicate

* Ana Palacio is former Minister of Foreign Affairs of Spain and former Senior Vice-President and General Counsel of the World Bank Group. She is a visiting lecturer at Georgetown University.

Opec’s flaring crises add new risk for oil supply

Bloomberg/London

Opec may have no appetite to cut oil production deeper when it meets next month, but flaring political crises across the group are once again threatening supply.

Unrest erupted in Iraq and Iran this month — two of the Middle East’s biggest producers — as people took to the streets protesting financial hardship and bad governance. That’s adding to the range of supply threats already afflicting the Organization of Petroleum Exporting Countries, from economic collapse in Venezuela to simmering discontent in Algeria.

“We kind of had a second Arab Spring, but it’s been under the radar,” said Helima Croft, chief commodities strategist at RBC Capital Markets. “The real question is what is going to happen in Iraq.”

Iraq, Opec’s second-biggest producer, has cracked down on

demonstrations against corruption in recent weeks that have spread to the southern oil hub of Basra. Iran has seen its oil exports slashed by US sanctions and is suppressing protests spurred by the resulting economic stagnation.

Opec and its allies — who together pump about half the world's oil — will meet in Vienna in early December to consider production levels for 2020, having cut output this year to prevent a global surplus. Despite signs that fragile demand and surging US shale supply will unleash a new glut, they've signalled no desire to reduce output further.

They may not have a choice.

In recent years, unplanned supply disruptions within Opec nations have done as much to keep markets balanced as the group's deliberate cutbacks. Iran and Venezuela have lost a combined 1.7mn barrels a day since last October, more than all 24 nations in the Opec+ coalition agreed to cut this year.

As turmoil intensifies across the group, next year could see more accidental losses: oil prices of about $60 a barrel are already below levels most Opec nations need to cover government spending, and a further slump would only deepen the strain.

"There is no better way to put it: the geopolitical risk is rising in the Middle East again," said Tamas Varga, an analyst at PVM Oil Associates Ltd in London.

Algeria is struggling to placate a mass youth-led movement seeking change after ousting long-term President Abdelaziz Bouteflika earlier this year, and Libya remains split by armed factions. Ecuador, which will leave Opec in January, suffered a 20% slump in oil production last month amid riots and looting.

In Iran protests were triggered by an increase in gasoline prices.

The biggest risk is posed by Iraq, according to RBC's Croft. While the country's oil sector has proven robust during recent turbulence, even boosting output when Islamic State militants captured swathes of territory five years ago, the latest demonstrations reflect a new level of popular discontent.

“If you had attacks on infrastructure, oil workers going on strike – Iraq is the place that could surprise the market,” she said.

By Laurie Goering/London

Population growth and climate change are putting increasingly intense pressure on the planet’s limited water supplies, with worsening shortages emerging from the Middle East to Asia and Latin America, researchers and bankers said on Monday.
“All the local crises around the world are building up to a global crisis,” Torgny Holmgren, executive director of the Stockholm International Water Institute, told a conference on the issue at London-based think-tank Chatham House.
But easing the threat and ensuring more people have access to a stable, safe water supply will be hugely challenging because water access and distribution are tied up in politics, cultural views and entrenched systems, conference speakers said.

In Jordan, the third most water-scarce country, raising water prices to reflect the shortage would make economic sense – but not when nearly 1.5mn Syrian refugees, on top of 9mn citizens, depend on it, said Craig Davies of the European Bank for Reconstruction and Development (EBRD).

“It’s potentially a powder keg,” said Davies, who heads climate resilience investments for the bank. “From a political point of view, it’s imperative to keep water tariffs very low.”

Uzbekistan, meanwhile, has built its economy on exports of thirsty cotton, something that might not make sense as water becomes more scarce.

But “you can’t adjust that very easily” without upsetting farmers and the economy, Davies added.

In North Africa, newly available solar-powered water pumps are giving drought-hit farmers crucial access to irrigation – but also removing incentives to use water sparingly as farmers no longer have to buy fuel for diesel-powered irrigation pumps.

“There is literally no control,” said Annabelle Houdret, a senior researcher at the German Development Institute who works in the region.

Aquifers there could be depleted, she warned.

In many Islamic countries, water is seen as a human right and a gift from God, so asking governments to charge people for better water services can be complicated, Davies said.

In most places the EBRD works, the price users pay for water is far below the actual cost of bringing it to them, he said, meaning there is often too little money to invest in treating and delivering water, and maintaining and expanding networks.

“If you’re not paying a rational price for the water, the incentive is to use the water irrationally,” he added.

Getting water use right in an increasingly parched world is crucial, said Olcay Unver, vice-chair of UN-Water, a co-ordinating agency on water issues for the United Nations.

Three out of every four jobs globally depend on water in some way, including small-scale farmers who produce 80% of the world’s food, said Unver, who is also a water advisor for the

United Nations Food and Agriculture Organisation (FAO).
By 2050, FAO estimates food demand globally will rise by 50% but “we don’t have 50% more water to allocate to agriculture”, he noted, adding it is already the dominant water user.
Demand for water is also surging in fast-growing cities, where more than half of people live now and over two-thirds are expected to live by 2050, Unver said.
Getting enough water to everyone is particularly difficult as climate change brings more erratic rainfall, with many places hit by floods and droughts in turn, conference speakers said.
But some countries are coming up with innovative ways to protect or expand supplies.
In India’s Gujarat state, for instance, much of the year’s rain comes in monsoon season – and then rapidly evaporates, said Gareth Price, a Chatham House senior research fellow who works on South Asia.
But some farmers have begun gathering leftover straw after harvest and piling it in low-lying spots in their fields to absorb and hold excess rain, allowing it to slowly filter into the groundwater, he said.
The innovation – which also helps cut down on burning of field stubble, a major source of air pollution in the region – has won World Bank funding for its expansion, he said.
In Brazil, meanwhile, farmers and ranchers who preserve and plant more forests along rivers to protect water supplies are paid by downstream users under a “water producers” programme, said Paulo Salles, director of a Brazilian water regulatory agency.
Daanish Mustafa, a geography professor at King’s College London, said growing water scarcity would unlikely drive a surge in wars, but instead lead to more “unjust co-operation” – cross-border sharing pacts where the stronger party gets the better deal.
Water access is already hugely unequal, speakers said, with US residents using 700-900 litres a day, Europeans about 200 litres and many of the world’s poorest just 10-15 litres.
Reliable access to water is crucial to achieving many of the

global sustainable development goals (SDGs) – from ending poverty and hunger, to reducing inequality – they added.
Yet climate change threatens to put secure water access ever further out of reach.
“With the SDGs, we can see the light at the end of the tunnel – but the problem is it’s almost certainly a climate change train coming,” said Christopher Hurst, director general of projects for the European Investment Bank. – Thomson Reuters Foundation