

# Norway's SWF to sell stakes in exploration, production firms



Reuters /Oslo

Norway's trillion-dollar sovereign wealth fund, the world's biggest, will sell its stakes in oil and gas explorers and producers but still invest in energy firms that have refineries and other downstream activities, according to a government plan.

The proposal announced yesterday said the fund's stakes in integrated companies, such as Royal Dutch Shell, ExxonMobil and other majors involved in everything from exploration to selling fuel at the roadside, would not be sold.

The state, which has built its wealth on the back of North Sea oil and gas reserves, also has no plan to sell its direct stake in Norwegian energy firm Equinor or its direct holdings in Norwegian oil and gas fields.

"The government is proposing to exclude companies classified as exploration and production companies within the energy

sector from the (fund) to reduce the aggregate oil price risk in the Norwegian economy," the Finance Ministry said in a statement.

Energy stocks represented 5.9% of the fund's equity investments at the end of 2018, worth about \$37bn, fund data showed.

But much of that amount is invested in integrated firms rather than smaller, dedicated explorers and producers.

The fund's shares in the 134 firms to be excluded have a value of about \$8bn, the ministry said.

The fund said the shift would affect 1.2% of its equity holdings.

"Exploration and production companies will be phased out from the fund gradually over time," the government proposal said, without giving a timeline for the divestment.

Among the firms affected are Cairn Energy, in which the fund held 1.92% worth \$22mn at the end of 2018, Tullow Oil, in which it held 2.1% worth \$67mn, and Premier Oil, with 1.8% worth \$12mn.

Those stocks would be replaced by investments in other sectors, broadly weighted in proportion under the fund's current mandate, the central bank's deputy governor said in 2017, when the bank made its initial proposal.

The bank manages the fund.

At the end of 2018, the fund's equity investments were split between the financial sector (23.7%), industrial companies (12.9%), technology (12.6%), consumer goods (11.9%), healthcare (11.4%), consumer services (10.8%), oil and gas (5.9%), basic materials (5.0%), telecoms (3.0%) and utilities (2.8%). The Finance Ministry said the list, based on the FTSE Russell classification, was not final.

For instance, Cheniere, which does not produce oil or gas, but operates gas liquefaction facilities, was featured on the list.

"It will take time to divest from those companies and in the end it could be a different list," a ministry spokeswoman said.

Parliament, which still needs to approve the proposal, is expected to back the plan as the ruling centre-right coalition has a majority in the assembly.

The news added to pressure on energy companies, whose shares have already slipped due to declining oil prices.

The proposal aims to make Norway's wealth less vulnerable to a permanent drop in the price of crude, now the fund has increased its exposure to equities to 70% of its value from 60%. The central bank originally suggested excluding all oil and gas companies, including integrated firms.

But the government adjusted the proposal, saying major firms had the scale to shift to renewable energy.

"To exclude all oil companies would limit the fund's opportunities," Finance Minister Siv Jensen said.

The decision to keep stakes in integrated firms drew criticism from those who want Norway to shift more decisively away from fossil fuel investments.

Sony Kapoor, managing director of the think tank Redefine, said diluting the central bank's plan "represents a victory of Big Oil lobbying over financial prudence and common sense". Greenpeace campaigner Martin Norman said the government's decision "does not address Norway's exposure to oil and we are not showing the world the way forward". The opposition Labour Party said it would back the government, even though it argued for a tougher strategy.

"It's not enough, but we should do this now and then we might see (what to do) in the future," said Svein Roald Hansen, Labour's finance spokesman, adding that the state was right to keep its stakes in Equinor and oilfields.

The fund invests Norway's revenues from oil and gas production for future generations in stocks, bonds and real estate abroad.

Its investments in integrated firms at the end of 2018 included stakes of 2.45% in Shell, 2.31% in BP, 2.02% in Total, 0.99% in Chevron and 0.94% in ExxonMobil.

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# GLOBAL LNG-Asian spot prices down over 30 pct since start of year



LONDON, March 8 (Reuters) – Asian spot prices for liquefied natural gas (LNG) dropped this week for the eleventh week in a row, and have now lost more than 30 percent in value since the start of the year.

Prices for April delivery to northeast Asia are estimated at \$5.70 per million British thermal units, \$0.30/mmBtu below last week. That is the first time prompt prices have fallen below \$6.00/mmBtu since early August 2017, according to Reuters data.

Prices for May delivery are estimated to be slightly higher than for April, largely due to the very weak prompt price, LNG

traders said.

In China, a return of industrial demand after the Luna New Year helped to draw LNG stocks down slightly, sources said. Inventories in Japan and South Korea were still high.

Spot trade in the Far East was almost non-existent this week, sources said. But there were plenty of deliveries related to long-term contracts or earlier purchases.

In the first eight days of March, 18 cargoes were supplied to China, eight more than in the same period in February, half of which the country was on holiday, Refinitiv Eikon data showed.

In Japan and South Korea, the delivery pace was largely stable in the first week of March, compared with February.

Europe, India and Latin America remain the focus for LNG suppliers.

Shipments of U.S. LNG have gathered pace in March and Europe is likely to receive more U.S. LNG volumes this month.

There are a number of offers from U.S. suppliers for late March deliveries to Europe at a significant discount to the price at the TTF, the Dutch gas hub, an LNG trader said.

The Dutch front-month price declined by around \$0.30/mmBtu this week too. But there could be an uptick next week.

“Our balance forecasts indicate tighter conditions both in the UK and on the Continent next week which should provide support to gas prices next week,” Refinitiv analysts said in a weekly note.

“The main drivers are colder weather and outlook for lower LNG sendout.”

In India, prices are around the same level as in the Far East, sources said.

“At some point India will target the TTF level; right now they pay a small premium to that,” an LNG trader said.

India’s Gujarat State Petroleum Corp (GSPC) and Torrent Power issued new buy tenders this week.

“India will continue buying, LNG is cheap and they have space for more supply,” an industry source said.

GSPC did not award its 12 cargo tender for delivery over April 2019 to March 2020 due to higher-than-expected offers, however, traders said.

In Latin America, Argentina’s IEASA issued a new tender on March 1 for 14 cargoes for delivery from May to September. This is a second tender from IEASA this year. Up to nine cargoes from the previous 12-cargo one were awarded to BP, Cheniere and Trafigura, with the other three being re-tendered, a trade source said.

Oversupply on the market is evident as none of the outages or maintenances this year have provided support for prices.

Train 6 at the Qatargas III project at Ras Laffan has been on maintenance in the past two weeks, which is likely a planned one, sources said. There was no impact on Qatar’s exports, one of them added.

Neither a delay in transshipment of Yamal LNG cargoes at Norway’s Nonningsvag this week due to rough weather, nor an explosion on the oil pipeline leading to Nigeria’s Bonny terminal had any price impact either. (Reporting by Ekaterina Kravtsova; Editing by Mark Potter)

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# Keep politics out of Europe's competition decisions



Patrick Rey And Jean Tirole /Toulouse

The European Commission's decision last month to block the proposed rail-industry merger between Alstom and Siemens was clearly a blow for the two companies. It was also a major setback for the French and German governments, which had strongly supported the deal.

Upset by the decision, France and Germany now want to rewrite EU merger rules and give member states more say over proposed tie-ups. But although such an approach may seem tempting, Europe would be wise not to leave competition policy enforcement in the hands of its politicians.

Supporters of the Alstom-Siemens merger said it would create a European high-speed-train champion to rival China's CRRC, which operates in a large, and mostly closed, domestic market and – according to the deal's backers – may soon increase its presence in Europe. But this was not a “no-brainer” merger that would inevitably have made the EU's rail industry more globally competitive. After all, Alstom and Siemens already

dominate their respective national markets for train-signalling systems and high-speed rolling stock.

The merger's advocates dubbed it "Railbus" in an attempt to draw a parallel with the creation of European aircraft manufacturer Airbus in 1970. But whereas Airbus was a new challenger to Boeing, which had a near-monopoly in the commercial-aviation market at the time, the Alstom-Siemens merger would have reduced the number of players in the European rail industry.

True, Europe must wake up to the challenge posed by China and the United States. The world's 20 biggest high-tech companies are either Chinese or American, and the same may well be true of the healthcare sector in a decade or two, given developments in artificial intelligence, big data, and genetics. But this Sino-American dominance reflects many factors, and European mega-mergers alone will not redress the balance. And although Alstom and Siemens are understandably frustrated by their lack of access to China's large high-speed-rail market, this calls for a World Trade Organisation dispute-settlement procedure or for stronger EU trade and procurement policy, not the weakening of its competition policy.

Nonetheless, on February 19, the French and German economy ministers announced a joint plan to revise EU merger rules to enable the creation of European industrial champions. But requiring the European Commission to take into account other matters, such as companies' global presence, could potentially conflict with its existing mandate to protect EU citizens. After all, the Commission blocked the Alstom-Siemens deal primarily because of serious concerns that it would lead to higher prices for signalling systems and high-speed trains in Europe.

The new Franco-German proposal would give member states the right to override the Commission's antitrust decisions in "well-defined cases." But national politicians may be tempted to define such cases broadly in support of a favoured merger. Although elected officials should set the EU's competition



authorities' overall mandate, enforcement should remain in the hands of the EU Competition Commissioner and the Directorate-General for Competition.

There are several good reasons for this. For starters, politicians are subject to intense lobbying by large firms and industry organisations, which may be more interested in limiting competition than promoting it. Similarly, political pressures previously encouraged credit booms through lax banking supervision and generous monetary conditions, ultimately leading to central-bank independence. And in network industries such as telecoms or energy, politicians tend to favour artificially low user prices, which can deter investment (for this reason, the US put independent judges in charge of overseeing rate-of-return regulation of public utilities in the early twentieth century.)

Second, even if elected officials resisted such lobbying, they would not necessarily make better decisions than the EU authorities do at present. The Director-General for Competition has a dedicated staff that includes some 30 PhD economists specialising in competition matters. It is doubtful whether national government ministries in Berlin, Paris, or other European capitals would be willing or able to marshal a similar concentration of brainpower.

Finally, the claim that the EU's competition authority is too intrusive is unfounded. If anything, the opposite is true; the European Commission clears the majority of mergers without requiring companies to take remedial steps to address competition concerns. In 2018, for example, the Commission approved 370 mergers unconditionally, and a further 23 with conditions (or "commitments") attached – in most cases after a one-month investigation. The Commission blocked only two mergers in 2017, none in 2018, and fewer than 30 since the EU Merger Regulation was adopted in 1990.

Political frustration at the rejection of a single – albeit high-profile – merger is not a good reason to undermine the EU's long-standing, independent competition authority. Fortunately, there may still be room for industrial policy in

Europe, provided this does not involve the traditional French practice of ministers picking winners. A better approach would be an EU-level policy that draws on the successes of countries such as South Korea and the US. In the latter, for example, the Defence Advanced Research Projects Agency (DARPA), the National Science Foundation, and the National Institutes of Health have all generated twenty-first-century technologies. Far from conflicting with EU competition policy, such an approach would help to make European industry more productive and globally competitive. That goal requires keeping Europe's national politicians away from day-to-day competition decisions. – Project Syndicate

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**Exxon Mobil CEO sets plan to boost spending; shares sink**



NEW YORK: Exxon Mobil Corp said on Wednesday it plans to open its wallet and boost spending for several years to restore flagging oil and gas production, but its shares fell as investors were disappointed that the oil company would not tighten spending and send more money back to shareholders.

Exxon shares fell 1.9 percent in early morning trading to US\$78.43 after Chief Executive Officer Darren Woods defended Exxon's plan to spend US\$33 billion to US\$35 billion next year, up 10 to 17 percent from US\$30 billion this year.

He said the strategy was to be "leaning in as our competitors are leaning back."

Woods has been under pressure to rein in expenses and boost a share price that has barely increased in the past seven years.

"With investors increasingly pressuring energy companies to return cash to shareholders, it is no surprise that the higher capital budget was not positively received by the market," said Muhammed Ghulam, analyst with Raymond James.

Woods told the company's annual meeting for securities analysts that global demand is rising for oil and gas, and that the declining output of existing wells must be replaced.

“This is a compelling case for industry as a whole,” Woods said.

Exxon has laid out aggressive development plans to reverse a dip in production. The company has posted lower output in nine of the last 10 quarters, and has placed one of its biggest bets on shale oil from the Permian Basin in Texas and New Mexico.

Exxon said it expects production from the Permian Basin to rise to 1 million barrels of oil and gas per day as early as 2024. Woods said Exxon can earn a double-digit return in the Permian even at US\$35-per-barrel oil, and has the advantage of size, access to capital and better technology than its rivals.

Other major investments include offshore projects in Brazil and in Guyana, where it has discovered 5.5 billion barrels of oil, and global investments in liquefied natural gas.

Exxon forecast capital spending of US\$30 billion to US\$35 billion each year from 2021 to 2025. Its plans for more than two-dozen global investments contrast with the strategy of most of its rivals, which are making more modest investments in new production while tightening spending and increasing stock buybacks and dividends.

Exxon also responded to investor calls for it to trim some of holdings, saying it would divest US\$15 billion in holdings over the next three years.

The success of Exxon’s pitch to analysts and investors “is likely to depend on whether Exxon can convince the market that higher spending today translates to higher returns to shareholders over time, and in the near term this could be helped by ramping up asset sales,” said Biraj Borkhataria, analyst with RBC Europe Limited in a note to clients.

The company said it expects annual cash flow from operations to reach US\$60 billion in 2025, on assumption of US\$60 per

barrel international oil prices.

Analysts and investors have pressured Exxon to be more open and transparent, and Woods opened Wednesday's analyst meeting by saying he had spent "quite a bit of time engaging with our shareholders," in the last year. He said the company was releasing more information than it has historically.

Woods also joined the fourth-quarter 2018 conference call to discuss quarterly results with analysts. It was the first time he had done that.

The entire oil industry is out of favor and for years has underperformed other industrial sectors along with the S&P 500.

"This is an industry that a lot of investors hate, whether it's environmental or track record," said Brian Youngberg, analyst with Edward Jones. "The general investor is sick of the cyclicity."

Read [more](https://www.channelnewsasia.com/news/business/exxon-mobil-ceo-sets-plan-to-boost-spending-shares-sink-11318046) at <https://www.channelnewsasia.com/news/business/exxon-mobil-ceo-sets-plan-to-boost-spending-shares-sink-11318046>

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**The Brexit impasse is a lesson for all**



By Emmanuel Macron /Paris

Never, since World War II, has Europe been as essential. Yet never has Europe been in so much danger.

Brexit stands as the symbol of that. It symbolises the crisis of Europe, which has failed to respond to its peoples' needs for protection from the major shocks of the modern world. It also symbolises the European trap. That trap is not one of being part of the European Union. The trap is in the lie and the irresponsibility that can destroy it.

Who told the British people the truth about their post-Brexit future? Who spoke to them about losing access to the European market? Who mentioned the risks to peace in Ireland of restoring the former border? Nationalist retrenchment offers nothing; it is rejection without an alternative. And this trap threatens the whole of Europe: the anger mongers, backed by fake news, promise anything and everything.

We have to stand firm, proud and lucid, in the face of this manipulation and say first of all what today's united Europe is. It is a historic success: the reconciliation of a devastated continent in an unprecedented project of peace, prosperity and freedom. We should never forget that. And this project continues to protect us today. What country can act on

its own in the face of aggressive strategies by the major powers? Who can claim to be sovereign, on their own, in the face of the digital giants?

How would we resist the crises of financial capitalism without the euro, which is a force for the entire European Union? Europe is also those thousands of projects daily that have changed the face of our regions: the school refurbished, the road built, and the long-awaited arrival of high-speed Internet access. This struggle is a daily commitment, because Europe, like peace, can never be taken for granted. I tirelessly pursue it in the name of France to take Europe forward and defend its model. We have shown that what we were told was unattainable, the creation of a European defence capability and the protection of social rights, was in fact possible.

Yet we need to do more and sooner, because there is the other trap: the trap of the status quo and resignation. Faced with the major crises in the world, citizens so often ask us, "Where is Europe? What is Europe doing?" It has become a soulless market in their eyes.

Yet Europe is not just a market. It is a project. A market is useful, but it should not detract from the need for borders that protect and values that unite. The nationalists are misguided when they claim to defend our identity by withdrawing from Europe, because it is the European civilisation that unites, frees and protects us. But those who would change nothing are also misguided, because they deny the fears felt by our peoples, the doubts that undermine our democracies. We are at a pivotal moment for our continent, a moment when together we need to politically and culturally reinvent the shape of our civilisation in a changing world. It is the moment for European renewal. Hence, resisting the temptation of isolation and divisions, I propose we build this renewal together around three ambitions: freedom, protection and progress.

Defend our freedom

The European model is based on the freedom of man and the

diversity of opinions and creation. Our first freedom is democratic freedom: the freedom to choose our leaders as foreign powers seek to influence our vote at each election. I propose creating a European Agency for the Protection of Democracies, which will provide each member state with European experts to protect their election processes against cyber-attacks and manipulation. In this same spirit of independence, we should also ban the funding of European political parties by foreign powers. We should have European rules banish all incitements to hate and violence from the Internet, since respect for the individual is the bedrock of our civilisation of dignity.

Protect our continent

Founded on internal reconciliation, the EU has forgotten to look at the realities of the world. Yet no community can create a sense of belonging if it does not have bounds that it protects. The boundary is freedom in security. We therefore need to rethink the Schengen area: all those who want to be part of it should comply with obligations of responsibility (stringent border controls) and solidarity (one asylum policy with the same acceptance and refusal rules). We will need a common border force and a European asylum office, strict control obligations and European solidarity to which each country will contribute under the authority of a European Council for Internal Security. On the issue of migration, I believe in a Europe that protects both its values and its borders.

The same standards should apply to defence. Substantial progress has been made in the last two years, but we need to set a clear course: a treaty on defence and security should define our fundamental obligations in association with Nato and our European allies: increased defence spending, a truly operational mutual defence clause, and the European Security Council with the United Kingdom on board to prepare our collective decisions.

Our borders also need to guarantee fair competition. What power in the world would accept continued trade with those who



respect none of their rules? We cannot suffer in silence. We need to reform our competition policy and reshape our trade policy with penalties or a ban in Europe on businesses that compromise our strategic interests and fundamental values such as environmental standards, data protection and fair payment of taxes; and the adoption of European preference in strategic industries and our public procurement, as our American and Chinese competitors do.

Recover the spirit of progress

Europe is not a second-rank power. Europe in its entirety is a vanguard: it has always defined the standards of progress. In this, it needs to drive forward a project of convergence rather than competition: Europe, where social security was created, needs to introduce a social shield for all workers, east to west and north to south, guaranteeing the same pay in the same workplace, and a minimum European wage appropriate to each country and discussed collectively every year.

Getting back on track with progress also concerns spearheading the ecological cause. Will we be able to look our children in the eye if we do not also clear our climate debt? The EU needs to set its target – zero carbon by 2050 and pesticides halved by 2025 – and adapt its policies accordingly with such measures as a European Climate Bank to finance the ecological transition, a European food safety force to improve our food controls and, to counter the lobby threat, independent scientific assessment of substances hazardous to the environment and health. This imperative needs to guide all our action: from the European Central Bank to the European Commission, from the European budget to the Investment Plan for Europe. All our institutions need to have the climate as their mandate.

Progress and freedom are about being able to live from your work: Europe needs to look ahead to create jobs. This is why it needs not only to regulate the global digital giants by putting in place European supervision of the major platforms (prompt penalties for unfair competition, transparent algorithms, etc.), but also to finance innovation by giving

the new European Innovation Council a budget on a par with the United States in order to spearhead new technological breakthroughs such as artificial intelligence.

A world-oriented Europe needs to look towards Africa, with which we should enter into a covenant for the future, taking the same road and ambitiously and non-defensively supporting African development with such measures as investment, academic partnerships and education for girls.

Freedom, protection and progress. We need to build European renewal on these pillars. We cannot let nationalists without solutions exploit the people's anger. We cannot sleepwalk through a diminished Europe. We cannot become ensconced in business as usual and wishful thinking. European humanism demands action. And everywhere, the people are standing up to be part of that change.

So, by the end of the year, let's set up, with the representatives of the European institutions and the member states, a Conference for Europe in order to propose all the changes our political project needs, with an open mind, even to amending the treaties. This conference will need to engage with citizens' panels and hear academics, business and labour representatives, and religious and spiritual leaders. It will define a roadmap for the EU that translates these key priorities into concrete actions. There will be disagreement, but is it better to have a static Europe or a Europe that advances, sometimes at different paces, and that is open to all?

In this Europe, the people will really take back control of their future. In this Europe, the United Kingdom, I am sure, will find its true place.

The Brexit impasse is a lesson for us all. We need to escape this trap and make the upcoming European Parliament elections and our project meaningful. It is for Europe's citizens to decide whether Europe and the values of progress that it embodies are to be more than just a passing episode in history. This is the choice I propose: to chart together the road to European renewal. – Project Syndicate

\* Emmanuel Macron is President of France.

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## Exxon Mobil CEO sets plan to boost spending; shares dip



NEW YORK (Reuters) – Exxon Mobil Corp plans to boost capital spending for several years, CEO Darren Woods said on Wednesday, and the largest U.S. oil company’s shares fell after he laid out a strategy to “lean in” while the rest of the industry cuts back.

Exxon shares fell more than 1 percent after the company told analysts attending its annual investor meeting that it plans to lift spending by 10 percent or more for the next several years as rivals are sidelining equipment and capping spending to boost shareholder returns.

Woods defended the strategy of “leaning in as our competitors are leaning back,” saying the best time to buy into projects is not when everyone else is active. “You do it when everybody else is at home,” Woods said.

Exxon’s plans include a big bet on U.S. shale, where output has surged in recent years, making the United States the world’s largest oil producer.

Exxon shares finished down 91 cents at \$79.28 on Wednesday. The stock has underperformed rivals for years and Woods faces challenges to boost investor confidence. He took over as chief executive in 2017, with a mission to boost sagging production and repair missteps made under former CEO Rex Tillerson, including expensive bets on natural gas and Russia.

Capital spending will rise to \$33 billion to \$35 billion next year from \$30 billion this year and from \$23.1 billion in Woods’ first year as CEO.

“With investors increasingly pressuring energy companies to return cash to shareholders, it is no surprise that the higher capital budget was not positively received by the market,” said Muhammed Ghulam, energy analyst with Raymond James.

Over the last five years, Exxon shares have posted a total return of negative 0.16 percent, lagging total returns of 32 percent at Chevron Corp and 54 percent at BP PLC over the same period, while the benchmark S&P 500 index has gained 48 percent, according to Refinitiv Eikon data.

## **BIG BETS ON SHALE**

Exxon’s output has declined in nine of the last 10 quarters, but the company now forecasts continued production gains. It has placed one of its biggest bets on drilling in the Permian Basin of Texas and New Mexico, the largest U.S. shale field.

The independent oil companies that launched the Permian boom

are reducing drilling rigs and cutting spending in response to investor demands to rein in expenses while Exxon and other majors are cranking up investments in the oilfield.

Woods argued that more investment was justified because global demand is rising for oil and gas, and that the declining output of existing wells must be replaced.

“This is a compelling case for industry as a whole,” Woods said.

This week, Exxon and rival Chevron released dueling Permian output projections. Exxon said its Permian production could hit 1 million barrels of oil and gas per day as early as 2024, up from its previous estimate of 600,000 by 2025.

Both companies have boasted of superior technology to overcome one of shale’s biggest hurdles: rapid declines in production rates. New well production in the Permian was about 600 bpd per rig as of February, down from nearly 760 bpd in mid-2016, according to U.S. Energy Department data.

Woods said Exxon can earn a double-digit return in the Permian even at \$35-per-barrel oil. It expects annual cash flow from overall operations to reach \$60 billion in 2025, on assumption of \$60 per barrel international oil prices.

Other major investments for Exxon include offshore projects in Brazil and Guyana, and from global investments in liquefied natural gas.

Exxon, which faces investor pressure to trim its assets, said it would divest \$15 billion in holdings over the next three years.

Exxon needs to “convince the market that higher spending today translates to higher returns to shareholders over time,” which could be helped by increased asset sales, said Biraj Borkhataria, analyst with RBC Europe Limited, in a note to

clients.

Analysts and investors have pressured Exxon to be more open and transparent. Woods opened Wednesday's analyst meeting by saying he had spent "quite a bit of time engaging with our shareholders," in the last year. Last month, for the first time, he joined the quarterly earnings call to discuss results.

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## Overcoming the ideology of climate inaction



By Anders Fremstad And Mark Paul Fort Collins/Sarasota

Three years ago, the United States achieved a grim milestone: its first climate refugees. With rising sea levels quickly engulfing the small town of Isle de Jean Charles, Louisiana, the Biloxi-Chitimacha-Choctaw tribespeople who have long called it home were forced to move. In the coming years,

hundreds of communities across the US will suffer a similar fate, even if greenhouse-gas (GHG) emissions cease immediately.

Despite the consensus among scientists about the causes and dire consequences of global warming, policymakers continue to turn a deaf ear to warnings of the impending climate crisis. Even before US President Donald Trump withdrew America from the 2015 Paris climate accord, the US had not begun to make sharp emissions reductions. The reason, climate activists increasingly argue, is capitalism, or more precisely the neoliberal ideology that has dominated economic policymaking in the West for at least 40 years.

As debates about a Green New Deal heat up, it is critical for the public to understand the role that neoliberalism has played in derailing policies to curtail emissions, phase out fossil fuels, and adopt renewable-energy technologies.

Climate wonks regularly warn that “business as usual” cannot avert climate change. But, while that is true, the phrase itself betrays a neoliberal obsession with making “business” fit for purpose – a tweak here, a nudge there – as if citizens were merely passive subjects of larger economic forces. We all have an active role to play in shaping the economy. But to do so requires that we first shake off the constraints that neoliberal thinking has placed on the public imagination.

Since 1980, the dominant view in Washington, DC, has been that the government should play a minimal role in the economy. As the anti-tax lobbyist Grover Norquist famously quipped, “I don’t want to abolish government. I simply want to reduce it to the size where I can drag it into the bathroom and drown it in the bathtub.”

The policies that have resulted from this mindset – defunding or otherwise curtailing public investment, deregulating the economy, and decentralising democracy – have prevented the US from weaning itself off fossil fuels. Policymakers from both parties have refused to advocate, or even countenance, public investments in carbon-free alternative energy sources and infrastructure.

The belief that government can only ever impede economic dynamism represents a sharp departure from the Keynesian worldview that dominated policymaking from the 1940s to the 1960s. Policies based on the belief that government spending on public goods complements the private sector, rather than crowding it out, helped the US achieve unprecedented growth in the postwar era.

In a Keynesian economic regime, government interventions are regarded as necessary to solve co-ordination problems, which is precisely what climate change is. Sadly, a brief revival of Keynesian thinking after the 2008 financial crisis was quickly stifled by the politics of austerity across the West, foreclosing efforts to reduce GHG emissions through large public investments in transportation, green public housing, and research and development.

The second pillar of neoliberalism, deregulation, has also contributed to climate change. When seeking to roll back energy-efficiency standards and rules governing fossil-fuel extraction, politicians love to say they are merely “cutting red tape.” But more often than not, these same politicians have been the recipients of the hydrocarbon industry’s largesse.

Unfortunately, as the climate crisis has grown, so, too, has the pressure to deregulate fossil fuels. For example, in January, a large group of eminent economists published an open letter calling for a modest carbon price (tax) to replace “cumbersome regulations.” Never mind that those same regulations have yielded significant reductions in GHG emissions in states like California. Regulations are also largely responsible for the emissions reductions achieved at the federal level, through programs such as renewable portfolio standards and Corporate Average Fuel Economy standards.

If the US is to have any chance of reducing emissions in line with what the Intergovernmental Panel on Climate Change recommends, appropriate environmental regulation must be recognised as a complement to large-scale public investments



and carbon pricing, not a substitute.

The third way neoliberalism has undermined climate action is by shifting decisions from the federal to the state and local level. While local control is useful in some policy arenas, it has exacerbated the tragedy of the commons with respect to climate change. At the same time that neoliberalism prescribes a carbon price as the solution to climate change, it rejects the centralisation needed to make such a policy actually work. After all, the chances that all US states will implement a carbon price are slim to none. The fossil-fuel industry and its lobbyists have long pitted individual US states – as well as individual labour unions and chapters – against one another by promising to create local jobs in fossil-fuel extraction. The industry has also campaigned aggressively against green ballot initiatives at the state and local level, where it can easily outspend the competition.

So long as policymakers are bound by the straitjacket of neoliberal ideology, there can be no meaningful progress toward addressing climate change, as US Senator Dianne Feinstein recently made clear to a group of young climate activists in a recorded encounter that was by turns condescending and combative. Fortunately, the widespread public support for a Green New Deal shows that voters do not share this ideology.

Still, to achieve the Green New Deal's goal of net carbon neutrality in ten years will require not just an economy-wide carbon price-and-dividend policy, but also large-scale public investment and complementary regulations. Taken together, these measures could mobilise America's latent productive capacities in ways not seen since World War II. Without them, the global effort to tackle climate change will have a snowball's chance in Hell. – Project Syndicate

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# Delphi Economic Forum – The Challenge of Inclusive Growth



*March 2019*

This year's fourth edition of the Delphi Economic Forum featured several days' worth of sessions, addresses, and other activities, and much of it focused on both the challenges and the opportunities spawned by rapid technological change. Numerous discussions also honed in on ways in which states and other actors can help ensure that growth is more inclusive in this coming new age, a challenge which was at the heart of this year's Forum. Another recurring theme at Delphi this year was concern over the outcome of the upcoming European parliamentary elections, with the rise of Euro-sceptic and nationalist tides threatening to re-shape the Union's political landscape. In addition, considerable attention was paid to how the Eastern Mediterranean is being transformed, one country at a time, into a major hydrocarbon-producing region, and what role(s) Greece should play in this continuing

process.



### ***Greek President Prokopios Pavlopoulos***

Greek President Prokopios Pavlopoulos used his opening address on Thursday to warn that while human civilisation has benefited mightily from technology, the coming period threatens enormous socioeconomic dislocation unless effective solutions can be found.

Around the world, experts agree that developments in key fields like wireless communications, batteries, robotics, and artificial intelligence are converging as they mature, opening the way for technology to become even more ubiquitous than it already is – and decisively so. Simply put, the new machines will be so capable that they will be able to replace human input across broad swathes of the global economy, potentially leading to mass unemployment and a long list of related social and economic challenges.

“Modern man’s relationship with technology and its achievements are fraught with contradictions, even more so in recent years,” Pavlopoulos said. “These are not contrasts,

which could be compromised through a dialectical synthesis, but actual contradictions” attributable to both “the justified pride the creator takes in his creations” and the “fear [which], almost subconsciously, fuels the composite emotion that results from the mixture of the paradox and the absurd,” he added. “This mixture is, ultimately, the awe felt by the creator when his creations begin to operate outside the scope of his designs and expectations. It is even more acutely felt when the creator thinks that he may be about to be surpassed or displaced by his creations.”

Pavlopoulos also noted that both the causes and the ramifications of these contradictions help explain why “modern man” has so much trouble synthesising individual elements of technology with the objectivity and competence required by science. This weakness is particularly costly when it comes to technological unemployment, he said, at least partly because job losses are too often accepted as a given in such matters. It also increases the insecurity and marginalisation of those who have lost their livelihoods to technology, giving them little reason to hope for a better future.

The Greek president took issue with the bleak outlook described above, arguing that technological unemployment does not constitute an ineluctable side-effect of technological progress. “Nothing prevents us from using the new means of technology in order to replace, to a great extent, the jobs that have gone with new ones,” he said. “In this way, each one of us would be enabled to contribute to the society to which he belongs.”

Pavlopoulos also noted that representative democracy offers institutional and political defences alike which might provide a degree of resistance, helping to prevent, contain, or compensate for potential incursions by increasingly pervasive technologies. The president also warned, however, that in order to take full advantage of these defences, “we must take the responsibility of our actions; otherwise, the next generations will pay a hefty price they do not deserve.”



***Former EU Commission President Jose Manuel Barroso***

Former European Commission President Jose Manuel Barroso, who spoke on Sunday, shared some of his experiences from a previous episode of EU insecurity, namely the Greek sovereign debt crisis that marked the last five years his 2004-2014 tenure.

At the height of the crisis, as it began to emerge how much austerity would be imposed on Greece in return for a bailout by the EC, the European Central Bank, and the International Monetary Fund, he recalled, "Greece came very close to Grexit."

Several factors made the situation worse, Barroso added, including the fact that financial instruments appropriate for a crisis of such magnitude had not yet been created.

He also acknowledged that both sides had committed missteps during the bailout negotiations. When large numbers of Greeks joined raucous street protests to condemn the tough terms laid down in the bailout programmes, Barroso said, the resulting scenes did not inspire confidence in European governments.

“There were mistakes from the Greek side,” he told his audience, “but also from the European [side] too. Some countries should have been more generous and shown greater solidarity.”

As for today’s challenges, Barroso said he had faith in Europe’s capabilities.

“Yes, we have serious problems to deal with – Brexit, illegal immigration, populism and nationalism, and the fact that Europe is behind in the digital revolution,” he acknowledged. “But we also have the resources and means to overcome them.”

When asked whether he believes that Greece can and should reduce its primary surplus and its tax burden, he was diplomatic, noting that this was a very sensitive moment because the country will hold elections this year. “I think the first thing that needs to be done by the government that will arise from the elections is to show its commitment to reforms,” he said.



***European Commissioner for Migration, Home Affairs, and Citizenship Dimitris Avramopoulos***

European Commissioner for Migration, Home Affairs, and

Citizenship Dimitris Avramopoulos warned of mounting problems if steps were not taken to address the reasons for rising populism and nationalism. "Europe is suffering an existential crisis," he said during in a Q&A session on Saturday, noting that the surge in such sentiments was particularly dangerous with EU-wide elections taking place in May. Avramopoulos' concerns echoed those of many participants and attendees, namely that too many European citizens feel let down by the EU and are searching for other options, at least some of which are antithetical to the entire European project.

### **Energy Geopolitics and the Role of Greece**

Doha-based Energy and Environment Holding CEO Roudi Baroudi acknowledged the same problems but struck a much more optimistic tone. He said the solution to Europe's problems was not less integration, but smarter integration designed to meet the interests of and families and communities, not just companies and governments. He also linked this perspective to the very origins of the European project, to the goal of closer integration with neighbouring regions, and to the very latest developments in the energy revolution that promises to rejuvenate the EU.



***Former EU Commission President Jose Manuel Barroso, left, with Energy and Environment Holding CEO Roudi Baroudi***

Baroudi, who has advised companies and governments on three continents during a career spanning more than 40 years, also has helped shape EU policy on energy and non-energy matters



alike. The broad net cast by his remarks merits substantial reproduction here.

“For almost 70 years now, ever since the Schuman Declaration of 1950, most of Europe has been moving toward greater integration,” Baroudi said during a session titled “Energy Geopolitics and the Role of Greece” on Saturday. “Decades later, following the 1995 Barcelona Declaration, that vision expanded, specifically by way of the Euro-Mediterranean Partnership and its most conspicuous result, the Union for the Mediterranean.”

“These goals can never be fully realized unless we accept the fact that integration must be implemented in such a way as to not only promote geopolitical stability, expanded trade, and faster economic growth, but also to increase social equality, strengthen social cohesion, and ensure greater harmony within and between different sectors of society, he added. “Indeed, many of the problems facing the EU today stem from a failure to ensure that political and security partnerships between governments and militaries would come part and parcel with direct benefits for every-day citizens from all walks of life.”

“The consequences of this failure have been particularly troublesome for several key members of the Euro-Med family,” Baroudi noted. “Far too often, we hear the setbacks of the past decade described in broad strokes: massive government debt, troubled banking sectors, ‘haircuts’ for investors, etc. Those are all valid stories, but the real tragedies are the personal ones involving jobs lost, families scattered, and dignity under assault. These are the indicators that have to change if we are to make good on the European dream, and if we are serious about inclusiveness, the Euro-Med region is actually a great place to start.”

The industry veteran also endorsed President Pavlopoulos’ observations about technological unemployment, stressing the need for a holistic approach that seeks to mitigate the unintended consequences often wrought by otherwise advantageous developments. “Human civilizations have always

struggled with how to balance these factors, and a similar approach must apply to oil and gas development," Baroudi told the audience.

"On both sides of the Mediterranean, this part of the world has known more than its share of headaches and heartaches in recent years, including rows over immigration policy, tight debt markets, and weak investor confidence," he added. "What a feat it would be, then, if the countries of this same region set an example for the rest of the world by overcoming their differences to establish a common area of peace, prosperity, and stability."

And as a centrepiece of both European and Mediterranean history, geography, and civilization," he noted, "no country has a more important role to play in this process than Greece does."

Baroudi then turned to the issue of how the Mediterranean's emergence as a major energy producing region could help restore faith in the European dream.

"It is true that after the past 15 years of political drift, some people have doubts about the Euro-Med ideals. For many more, however, the experience has only demonstrated the need to revive the spirit of Barcelona – and, this time, to finish the job. If we can do that, and if all of the countries involved agree to be bound by the United Nations Charter and other international laws and regulations, the tools are available to carve out a happier future for all of our peoples," he said.

"Ladies and gentlemen, so are the resources. Not very far from here – from Crete and Cyprus to Egypt and the entire Levantine Basin – exploration has uncovered numerous undersea deposits of oil and gas. With so many resources buried under the Mediterranean seabed, right on the doorstep of the world's single largest energy market, the conditions could not be better. In fact, just yesterday ExxonMobil confirmed a massive find off Cyprus."



***Map showing offshore blocks, including ExxonMobil's, in Cypriot waters of the Eastern Mediterranean***

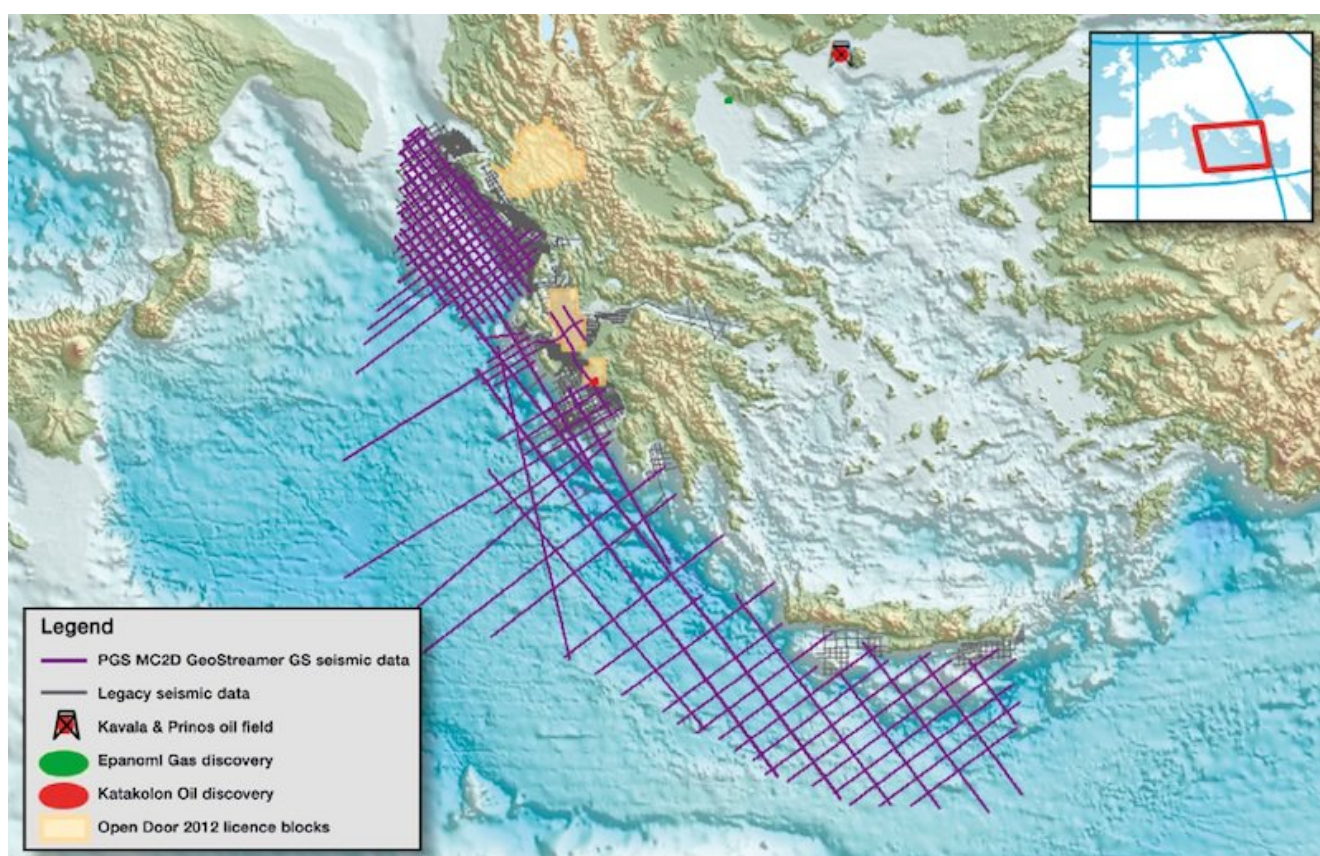
“So long as everyone abides by the rules, there is significant scope for dialogue, not to mention the promise of enormous potential rewards for actual cooperation. Each country that becomes an energy producer – and even non-producers that benefit from lower prices and greater security of supply – will have greater capacity to invest in hospitals, roads, schools, and other powerful contributors to the healthier societies,” Baroudi said. “And each new form of cooperation will bind neighbours that much closer together, pooling their resources and increasing their ability to work together ... Again, as one of the victims of the global economic slowdown, Greece has unquestionable credentials to be among those leading the recovery.”

Returning to the theme of balance, he also expressed confidence in the modern energy industry's ability and willingness to measure and manage the risks associated with oil and gas.

“We all know that the extraction and use of hydrocarbons poses threats to the environment, not just in terms of climate change, but also due to the danger of spills that directly affect ecosystems and the animals and plants that inhabit them,” he said. “What we must never forget, though, is that today the energy industry is better-equipped than ever to prevent mishaps – and to contain or mitigate the damage when an accident occurs. We also have global standards, including the recommendations of the COP 21 and COP 24 climate summits,

and the governments in question just need to be muscular about implementing and enforcing these rules. Greece's role will no doubt include continued leadership on this score, too."

"All of these opportunities are real," Baroudi concluded, "and they are will within the grasp of the peoples involved. What is needed is greater awareness of the need for understanding and cooperation, and of the oil and gas industry's ever-growing capacity to help ensure sustainable and inclusive development across the Euro-Med region."



***Map depicting key areas for exploration off Greece's southwest coast***

### **Shifting Forces in the Regional Energy Ecosystem**

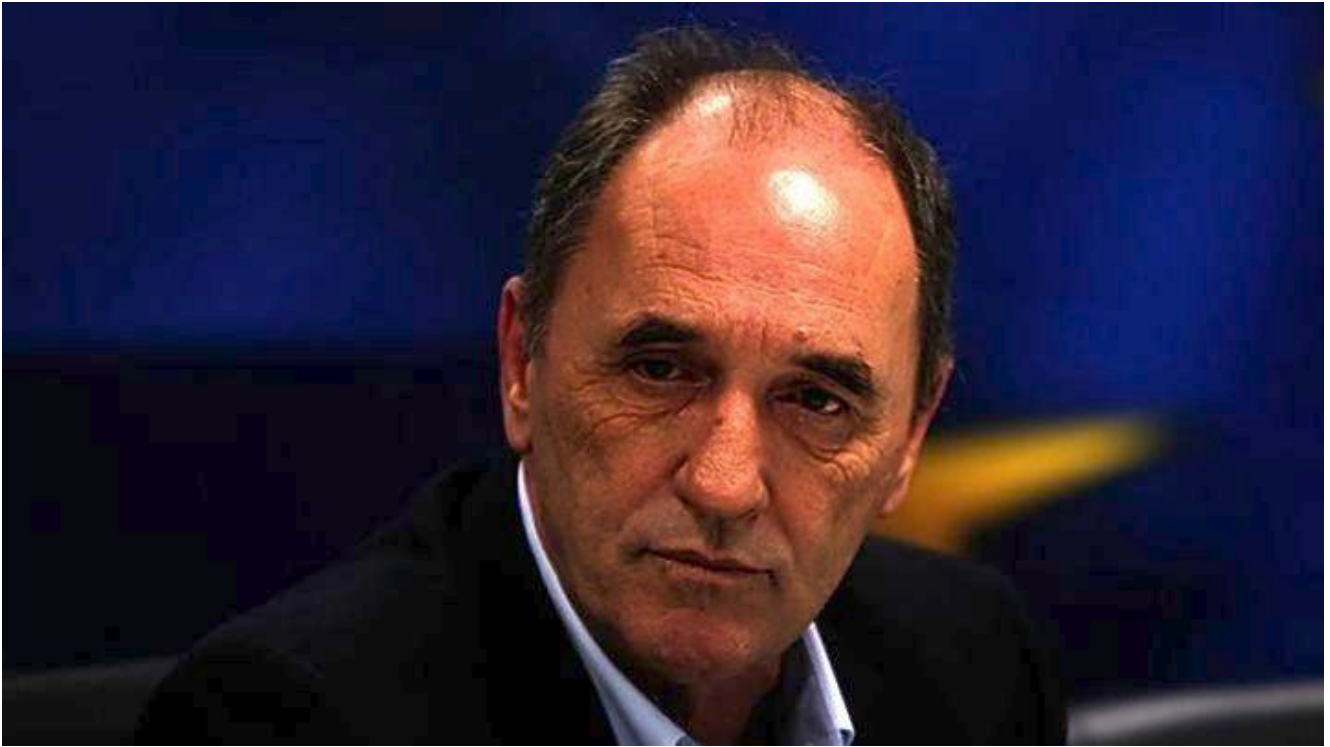
ExxonMobil's Vice President for Europe, Russia and the Caspian, Tristan Aspray, spoke on Saturday during a session dedicated to "Shifting Forces in the Regional Energy Ecosystem". Reiterating his satisfaction at his company's recent discovery of huge natural gas deposits off Cyprus, he outlined the prospects for Southeastern Europe's emerging as a

key source of gas supply to promote energy security across the continent.



***ExxonMobil VP for Europe, Russia, and the Caspian Tristan Aspray***

While ExxonMobil's find is the biggest so far, Aspray noted that other companies also have located significant deposits in Cypriot waters, and nearby discoveries off Romania and Egypt were similarly encouraging for the East Med region as a whole. With exploration and investigation still in progress, the full extent of Greece's offshore hydrocarbon resources remains uncertain, but Aspray concluded by saying that already, "all of these regions have the potential to operate as major alternative energy sources in Europe."



***Greek Minister of Environment, Energy, and Climate Change  
George Stathakis***

Speaking on the same panel as Aspray, Greek Minister of Environment, Energy and Climate Change George Stathakis described his country's efforts to regulate energy markets in a way that helps achieve climate change targets stretching as far as the year 2030. He said Greece's strategy included multiple approaches, including conservation and an increase in the amount of energy produced from renewables to 65%. He also acknowledged, however, that progress has been slow on some fronts. "It is clear that things are falling short with respect to energy saving," Stathakis explained. "Today, the reduction in consumption is limited to 1.5% per year."

**Conclusions**

The foregoing is a small but representative slice of the views, insights, and analyses provided by the dozens of speakers who attended this year's Delphi Economic Forum. Whatever their individual topics or perspectives, most participants were mindful of the numerous serious challenges facing the European Union and its citizens, but they were also

confident that none of these problems was insoluble. In particular, there was an unofficial consensus that, like other key components of the global economic system, the EU needs to become more sensitive to the fact that macro-policies can spawn micro-crises that then mutate into mass emergencies. Only by being more responsive to the short-term needs of its regions, it seems, can Brussels ensure the long-term success of the entire Union.

As more than one session heard, Europe has the resources – institutional, financial, intellectual, natural, etc. – required to regain public trust, restore faith in the European project, and reinvigorate even its most economically distressed areas. The questions are whether the EU can muster those resources, how soon it can do so, and whether this will be enough to hold things together until better economic times return.

The need for a new European direction is manifest. At a time when much of the world is being destabilized by bigots and demagogues, the ideals of the EU should show the way to a more harmonious future in which fears and rivalries are replaced by genuine partnerships and inter-dependence. Europe cannot play its rightful role on the world stage, however, at least not to the full, unless and until it effectively addresses disparity and other socioeconomic ailments at home.

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**IQ 5-year plan focuses on  
productivity, efficiency**

# gains



Premier blue chip group Industries Qatar's (IQ) base case business plan for the next five years will continue to focus on market development, productivity, and efficiency gains via its on-going cost optimisation programmes.

This, according to the board of directors' report announced on Tuesday at IQ's annual general assembly, which was presided over by HE the Minister of State for Energy Affairs, Saad Sherida al-Kaabi, who is also IQ chairman.

"Additionally, we will selectively invest in capital investment projects that we believe will increase our competitive position and add value to our esteemed shareholders. Moreover, our efforts on optimisation will continue until the group achieves its full potential," according to the report.

During the meeting, the general assembly approved the proposed total annual dividend distribution of QR3.6bn, equivalent to a payout of QR6 per share, representing a payout ratio of 72.2%. In a speech, al-Kaabi announced that the group settled "almost all of its outstanding debt during 2018, making it almost a debt-free entity."

Al-Kaabi reported that sales volumes reached 9.8mn metric tonnes, which is a "new record" for the group. Also, he said changes to the distribution strategy, migration of steel



marketing, sales and distribution to Muntajat, and a general increase in demand “aided the group’s sales volumes to reach this new height.”

Since May 1, 2018, al-Kaabi said, marketing, sales, and distribution of the group’s steel products have been migrated to Muntajat. The arrangement brings both financial and operational benefits via efficiency improvement, cost reduction, a better distribution model, and operational synergies, he noted.

“The group will constantly focus on effective sourcing of raw materials, rationalisation of operations, while striving for efficiency and effectiveness to further enhance its operating expenditure,” he continued.

He said Qatar Fuel Additive Company (Qafac) operated throughout the year, without having either planned or unplanned outages. A reputed industry benchmark report has highlighted that Qafac’s performance is within the first quartile in the industry. Qafac was also ranked as the number one operator in the methanol industry last year.

Also, al-Kaabi said Qatar Fertiliser Company (Qafco) exported the highest volumes of urea in March 2018, which is considered “a world record” of export quantity in a month from a single location and from a single entity.

Al-Kaabi said 2018 was “another remarkable year” for the group, which reported a 52% jump in net profit to reach QR5bn in 2018, with earnings per share amounting to QR8.3.

He said the group’s revenue reached QR16.3bn, or a 16% jump on the previous year. The increase was aided by the combined effect of higher product prices and sales volumes, al-Kaabi noted.

“The cash and bank balances across the group reached QR13.1bn, a new record for the group. Strong cash flows from operations, optimised working capital, reduced Capex and minimal debt repayment contributed to the significant growth in the cash and bank balances,” he added.

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# Russian minister visits GECF in Doha



As part of his official visit to Qatar, Russia's Foreign Minister Sergei Lavrov and his accompanying delegation paid a visit to the Gas Exporting Countries Forum (GECF) Secretariat in Doha yesterday.

Discussions regarding energy policy were an important component of the Russian delegation's trip.

Russia and Qatar, both major producers of natural gas and key GECF members, have resolved to align their energy policies.

"We agreed to continue co-ordinating steps in the global energy market, including with the Doha Gas Exporting Countries Forum", Lavrov stated at a press conference following a meeting with Qatar's Deputy Prime Minister and Foreign Minister HE Sheikh Mohamed bin Abdulrahman al-Thani.

The relationship between the GECF and Russia is a long-standing one. Russia is one of the forum's founding members and has been a great supporter of the organisation.

The country acted as host of the Second GECF Summit of Heads of State and Government of GECF Member Countries in Moscow earlier.

“So there was plenty of food for discussion during yesterday’s meeting,” GECF said.

Apart from the anticipated exchange of views on topics of mutual interest, GECF secretary-general Dr Yury Sentyurin familiarised Lavrov with the forum’s range of deliverables – from the ‘daily brief’ to the ‘Global Gas Outlook’ – and informed him of important recent events like the GECF’s participation in the 9th IEA-IEF-Opec Symposium on Energy Outlooks last week and major upcoming events such as the 21st Ministerial Meeting in October and the 5th GECF Summit that will take place in Malabo, Equatorial Guinea, in November this year.

Sentyurin also took time to discuss the forum’s progress on its environmental agenda, such as the GECF’s recently obtained status as an Observer to the United Nations Framework Convention on Climate Change (UNFCCC) and its participation in the G20 chain of events relating to energy transitions.

Likewise, the secretary-general made mention of the wider work the GECF has undertaken with other UN subsidiaries.

“The overall goal of the meeting was the further strengthening of the sound relationship between Russia’s Ministry of Foreign Affairs and the GECF,” the forum said in a release.