

# Thousands of UK jobs at risk as E.ON breaks up Npower

German energy group E.ON plans a £500mn (\$642mn) break-up of the struggling British Npower division it inherited from Innogy, which a union said could put up to 4,500 jobs at risk. The revamp, the latest among established British retail power providers, effectively removes one of the market's so-called 'Big Six' players, which have lost customers to nimbler recent entrants and been hit by a regulatory price cap.

E.ON's plan includes managing Npower's residential and small and medium-size business customers on the same platform as its own, while putting Npower's industrial and commercial customers into a separate business.

The rest of Npower will be closed.

E.ON chief executive Johannes Teyssen said the group would examine options for Npower's industrial and commercial business, the division's only profitable part, suggesting it might be sold at some point.

The shake-up will result in up to 4,500 job losses at Npower, British union UNISON said, nearly 80% of the division's total staff.

"The UK market has been very challenging for several years," Teyssen said. "Churn (customer switching) rates are high, margins slim, and the price caps introduced this year have exacerbated the situation.

No company operating there has been spared these difficulties."

Teyssen said talks with British unions about the plans had started. Shares in E.ON were up 1.6% at 0951 GMT.

"We see this initial update as encouraging, given likely low market expectations around the outlook for Npower," Jefferies analysts wrote, keeping a "buy" rating on E.ON stock.

Npower has been suffering more than its large rivals, including E.ON itself, Centrica's, SSE, EDF and Iberdrola,

partly because of internal billing problems.

E.ON said it expected its combined British business to achieve at least 100mn pounds of earnings before interest and tax (EBIT) and positive free cash flow from 2022 onwards. E.ON took over Npower as part of a far-reaching asset swap with RWE that included the break up of Innogy.

The deal, first announced in March 2018, has turned E.ON into a pure energy retail and networks group.

As a result of the transaction, E.ON's net debt nearly doubled to €39.6bn (\$43.7bn) at the end of September.

E.ON also said yesterday the deal had led it to raise its 2019 adjusted EBIT forecast to €3.1-3.3bn from 2.9-3.1bn.

In the first nine months of the year, adjusted EBIT fell 6% at €2.2bn.

---

## **Solar power project for auction in South Pakistan**



Pakistan is entering into a new era of attracting power projects through competitive bidding to provide cheaper electricity to end-consumers, as Sindh government is all set to auction the first-ever project through the bidding process by March 2020. To date, the country has attracted power projects by offering incentives to investors under the cost-plus tariff formula, which ensured a fixed internal rate of return (IRR) to investors.

The achievement of surplus installed capacity of power production in recent times allowed authorities to make a shift towards new power projects through the tariff-based competitive bidding. "We are set to auction the first 50-megawatt (MW) solar power project at Manjhand (district Jamshoro) through competitive bidding by February-March," Sindh Solar Energy Project (SSEP) Project Director Mehfooz A Qazi said. The 50MW project is part of the planned 400MW solar power park in Sindh that is estimated to attract new investment of around \$250mn. "We aim to auction all the potential 400MW solar power projects by 2021 and start supplying electricity to the national power grid within the next

five years (2023-24)," he said. The World Bank is providing financial and technical support for establishing the solar park. "World Bank has provided an assistance of \$100mn for four different solar power projects, including \$30mn for establishing the 400MW solar park," he said. In this backdrop, the energy department of the government of Sindh appointed a consortium of foreign and local advisers to auction the 400MW power projects.

The consortium comprises Bridge Factor (Pakistan) and Tractebel Engie (Germany) in association with Renewable Resources Limited (Pakistan), Ashurst Law (Singapore) and Axis Law (Pakistan). On behalf of the government of Sindh, Qasim inked the contract with the consortium to hire its services in the presence of Provincial Energy Minister Imtiaz Ahmed Shaikh at Energy Department. The project director hoped the solar projects would attract an investment of around \$250mn, considering the country has recently attracted \$38mn investment for a 50MW solar project under the old formula of cost-plus tariff. "We are highly hopeful the projects will provide cheaper and clean energy in the country," he said. Earlier, the National Electric Power Regulatory Authority (Nepra) had announced an upfront tariff of 5.23 cents per unit (Kilowatt per hour) to attract solar projects under the old formula of cost-plus tariff. "The competitive bidding will surely attain a comparatively cheaper tariff than the upfront tariff," he said. The competitive bidding process allows the Sindh government to accept the lowest tariff-bid from new potential investors. Later-on, it may ask other investors to match the lowest bid to become part of the 400MW solar park. He said the investors would offer the much cheaper tariff than the upfront one, as cost of solar power projects has massively gone down over a period of time. "The government awarded a (high) tariff of 15-16 cents per unit for the first solar park (Quaid-e-Azam Solar Park of 100MW set up in Bahawalpur, Punjab) years back. The cost of solar power projects has further cut down since Nepra approved the up-

front tariff of 5.23 cents per unit for solar power,” he said. Solar remains one of the low- cost sources of electricity generation in the energy mix in the country. More importantly, the federal government has planned to in- crease the share of solar power to around 25% by 2025 compared to around 4-5% at present. Qazi said the demand for elec- tricity has been increasing by 5-7% per year. “The surge in de- mand may come comparatively higher and quicker considering the country is set to see accel- eration in economic growth going forward.”

---

## **Qatargas LNG production achieves ‘best in class’ reliability performance of 98.8% in 2019**



Qatargas’ liquefied natural gas (LNG) production is on target achieving the “best in class” reliability performance of 98.8%

while the Laffan Refinery achieved a strong reliability of 98.6%, well ahead of the current year targets.

The world's top LNG company's "achievements in 2019 and its strong performance" in a wide range of areas were highlighted at its Annual Town Hall meetings held in Doha and Al Khor recently.

The company also completed "successful and safe" shutdowns of three of its mega LNG trains to ensure their reliability.

Qatargas maintained a "strong environmental and safety performance" as it achieved a flaring rate of 0.38 against a target of 0.44 thanks to a successful flare reduction project whereas the greenhouse gas (GHG) emission rate showed 0.35 against a target of 0.42.

In the year under review, Laffan Refinery 1 marked 10 years of operation without any Lost Time Incident (LTI) and the company successfully completed two key environmental projects – the Waste Materials Management facility and the Treated Industrial and Process Water facility.

Updates on the North Field Expansion (NFE) and North Field Production Sustainability (NFPS) projects were provided during the event.

While the NFPS project will ensure that the current production capacity of the North Field offshore wells is well maintained into future, the NFE project will further enhance Qatar's production capacity from the current 77mn tonnes per year (Mtpy) to 110mn Mtpy by 2024. Updates on the Barzan Pipeline and Helium 3 projects were also provided during the event.

The 2020 strategic goals, as explained during the meetings, included striving for an "Incident and Injury Free" workplace, improving uptime availability, reliability and utilisation of the LNG plants to achieve full plant capacity and meet supply rights; and enhancing and promoting reliability culture across the organisation to drive efficiency.

In addition, further strategic goals were identified as maximising revenue by penetrating new markets; maximising customer satisfaction while retaining contractual and financial performance; and achieving Qatarisation targets through a skill-based Qatarisation strategy.

At the events, Qatargas performance, challenges and strategic goals were reviewed.

The Town Hall meeting is an open forum for employees to meet

with Qatargas' chief executive officer and the management leadership team for discussions on the company's performance, future challenges and strategic goals for the year ahead. A question and answer session followed in which Qatargas CEO Sheikh Khalid bin Khalifa al-Thani, and the management team replied to employee's questions and enquiries on work-related matters.

---

## Natural gas in increased focus on world stage, al-Kaabi tells GECF meeting



Natural gas is getting increased focus on the world stage as it provides the right balance of reliable and secure sources of energy, which can not only drive growth but also help address the environmental concerns, Qatar has said.

HE Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, made this remark at the extraordinary ministerial meeting of the Gas Exporting Countries Forum (GECF) in Malabo, Equatorial Guinea.

The extraordinary meeting is held in preparation of the fifth Heads of State Summit, which will also be held in Equatorial Guinea.

Referring to the relevance of associating the UN Sustainable Development Goals with greater access to a versatile, flexible, economic, and clean source of energy, he said: "we

are pleased to note the increasing attention natural gas is receiving as an important clean fuel in the global energy mix, and as a significant contributor to economic prosperity and environmental efforts to reduce emissions.”

Many countries around the world are reaching the conclusion that natural gas does provide the right balance of reliable and secure sources of energy, which can drive economic growth, and help address environmental concerns at the same time, said al-Kaabi, who led Qatar’s delegation.

Qatar will hold the sixth heads of state summit of GECF in 2021.

---

## **Demand slowdown in top gas buyer set to worsen**



Bloomberg/ Beijing/Singapore

A slowdown in gas demand growth in China, the driver of global use over the past two years, is expected to slacken further,



adding to investor concern as supply continues to build.

Consumption in 2021-2025 will grow at a slower pace than it has in the current five-year period, a researcher at China's economic planning department said at the BloombergNEF summit in Shanghai on Wednesday. Furthermore, a weaker economy and rising imports via pipeline could shrink the share of liquefied natural gas in the overall Chinese market, according to gas utility ENN Energy Holdings Ltd.

The country's overall gas use has expanded 9.5% so far this year, down from 18% in 2018, amid concerns that the slowing economy has prompted the government to focus less on pollution control, which had earlier helped spur demand for the fuel.

That contrasts with the boom in 2017-2018, when President Xi Jinping's calls for blue skies sparked a race among local governments and businesses to switch millions of homes and factories from burning coal to using more of cleaner-burning gas.

The demand slowdown has pushed LNG prices in Asia lower by almost 40% this year, a slump also aided by China's rising domestic output of the fuel.

China's gas demand growth will likely slow over the duration of the 14th Five-Year Plan from 2021 to 2025 compared with current levels, Tian Lei, an assistant professor at the National Development & Reform Commission's Energy Research Institute, said in an interview on the sidelines of the BNEF summit.

Consumption will probably be weaker at the start of the five-year period, before accelerating toward the end due to environmental pressure, he added.

A sharp deceleration in China's economic growth – with gross domestic product expanding in the third quarter at the slowest rate in decades – coupled with rising pipeline imports following the start-up of the Power of Siberia line from Russia, could cut LNG's market share in China and lower import growth, according to Mark Lay, deputy general manager of ENN.

China's LNG imports gained 14% this year through October after rising more than 40% in each of the prior two years. Increased

domestic gas production amid the nation's efforts to bolster energy security will also erode overseas purchases, said Daniela Li, a BloombergNEF analyst.

Despite prospects of a slowdown, the current gas consumption levels still represent "extraordinary growth," said Bernard Samuels, vice president of China gas development at Royal Dutch Shell Plc. The government's plans for a national pipeline company could help lower prices for domestic customers and boost demand, he said.

---

## **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.

---

## Russia says new crude-only Opec+ target isn't a loophole



Bloomberg/ Vienna

The exclusion of a light oil called condensate from Russia's output target under the Opec+ deal is not a loophole, but a way to bring the country in line with the rest of group, said Energy Minister Alexander Novak.

At Friday's meeting of the Organization of Petroleum Exporting Countries and its allies in Vienna, Russia was given

permission to exclude the liquid hydrocarbon that condenses out of natural gas from its production target. The change brings Russia's November oil output in line with its pledged cut, where previously it had fallen short.

Novak denied the decision was a loophole that would give Russia an opportunity to pump more oil and still claim compliance with the Opec+ deal because the oil nation's statistics don't publish separate crude and condensate volumes.

"We have a very precise way to calculate our crude oil and condensate output field by field, crude variety by crude variety," Novak said in an interview with Bloomberg TV in the Austrian capital. "It is impossible to create a loophole."

Russia has every means to reflect the breakdown in its data and will be transparent about the oil production levels with Opec, analysts and media, Novak said. The country reached an agreement with Opec on feeding data from its computerised oil-tracking system to the agencies monitoring the group's output, he said.

Russia, one of the architects of the Opec+ deal, has consistently failed to comply with its pledged output cut this year. Last month, Novak said one of the key hindrances was rising production of condensate from new natural gas fields. The nation includes condensate in the total oil production volumes, while its Opec partners do not.

At the Vienna meeting, Opec+ agreed to reduce its output target by 500,000 barrels a day in the first quarter.

Russia's cuts target will be deepened by about 70,000 barrels a day, bringing its total obligation for crude-only supply curbs to some 300,000 barrels a day.

The new rules on condensate will help Russia achieve full compliance with its pledges, Novak said. Already in November, if condensate had been excluded, Russia's crude-only daily cuts reached some 232,000 barrels, more than required under the Opec+ deal, Novak said.

The nation is determined to deliver the pledged cuts in full in the first quarter, even as low winter temperatures in

Siberia, Russia's main oil region, make supply reductions difficult, Novak said.

---

## Will Judges Have the Last Word on Climate Change?



In the fight against climate change, one tool is proving increasingly popular: litigation. From the U.S. to India, activists, governments and concerned citizens are suing at a breakneck pace. Supporters want the courts to force oil companies, energy users and governments to pay for past harms and avert future threats. Opponents say climate change policy is a matter for national governments and international treaties, not a handful of judges.

# **1. Why turn to the courts?**

Activists and environmentally minded lawyers are seeking new ways to use the law to slow global warming and assign responsibility for the resulting economic damages. They've been given new urgency by President Donald Trump's decision to remove the U.S. from the 2015 Paris climate agreement. Some believe courts are uniquely suited to impose controls where legislatures and government agencies have failed. U.S. states and cities seeking redress in the courts say it is the only avenue open to them as the federal government has spent the past three years trying to undo climate regulations put in place by President Barack Obama.

# **2. Who are the defendants?**

In the U.S., it's mostly the big oil companies, but energy producers and state and federal agencies have also been sued. Governments are the targets in much of the rest of the world, including Canada, Pakistan, India and Uganda. In Europe, local and national governments have been sued because their clean-air plans fail to meet minimum European Union requirements. These include emissions caps that target older, less efficient diesel cars that are more harmful to the environment.

# **3. What's the argument?**

Some claim the oil and gas industry created a "public nuisance" – an illegal threat to community welfare. Others target their products as unreasonably dangerous to the planet's health. In the U.S., state officials have claimed that the oil corporations knew about the dangers of climate change for decades and schemed to hide the information. Many cases are based on the claim that the health of the environment is a public trust, held by the government for the benefit of future generations.

## **4. So it's about human rights?**

Yes, human-rights arguments are a small but growing approach. Plaintiffs make the case that climate change has threatened or taken away the basic rights to shelter, health, food, water and even life. Arguments range from Colombian children's claims that the deforestation of the Amazon deprives them of a healthy environment, to the assertion of hundreds of elderly Swiss women that their country has not done enough to protect them from rising global temperatures.

## **5. How have governments responded?**

They argue that judges should not be setting government policies. And they often say that the social and economic benefits from pollution sources outweigh the environmental concerns. That was the case South Africa made when it was challenged for building a coal-fired power station, since 16 percent of the population still has no access to electricity.

## **6. What about energy companies?**

They point to the vast economic benefits created by their products. And they say that individuals, industries and governments willingly contributed to climate change through their use of fossil fuels. They deny seeking to mislead consumers about global warming and accuse plaintiffs' lawyers of demonizing them in search of a big bonanza.

## **7. How have the cases fared?**

Environmentalists have won major cases against the Netherlands, Colombia and South Africa. And pending suits have changed behaviors. Germans, for example, are avoiding buying diesel cars since more of them are getting banned from cities that fail to meet standards for particulate matter and nitrogen oxides.

## **8. How have lawsuits fared in the U.S.?**

Initially badly. A federal judge threw out a suit by New York City against five of the world's biggest oil companies in 2018. (An appeals court is considering the city's arguments to reinstate the case.) But the Trump administration, like its predecessor, has so far been unsuccessful in derailing a suit brought by youths who claim the government's role in causing climate change is a violation of their Constitutional rights. A federal appeals court in San Francisco is considering whether the case can go forward to trial. There are more than a dozen "public nuisance" lawsuits seeking to hold energy companies responsible for billions of taxpayer dollars spent on acclimating to a warming world, or picking up the pieces following unprecedented hurricanes, floods and wildfires. Exxon Mobil Corp. is being sued in New York City (the trial is over and a judge is considering the case) and Massachusetts for allegedly hiding its early knowledge of climate change from the public and misleading investors about the future financial impact of global warming.

## **9. Why do environmentalists keep trying?**

They're seeking their tobacco moment. Anti-smoking activists and the families of cancer-stricken smokers lost claims against Big Tobacco for decades in the U.S. before the 1990s. A group of state attorneys general turned the tide by teaming up with top private lawyers to take on the industry in state courts. The victory resulted in settlements totaling \$246 billion and permanent changes in the sale and marketing of cigarettes. It's a model that climate change activists would love to duplicate.

---



# Persistent emissions signal global climate goal out of reach



Bloomberg/ Sydney/New York

Wednesday, 04 December 2019 10:07 PM

While global carbon emissions growth is slowing, the persistent rise is a warning that governments aren't doing enough to stave off the worst consequences of climate change, according to a new report.

Carbon-dioxide emissions from burning fossil fuels likely increased by 0.6% this year, down from 2.1% in 2018, according to a report from the Australia-based Global Carbon Project. Declines in the US and Europe were offset by increases in the fast-growing economies of China and India, it said.

"Current climate and energy policies are not enough to reverse the trends in global emissions," the report's authors said in a press release. "Continued support for low-carbon technologies need to be combined with policies directed at phasing out the use of fossil fuels."

The warning comes as envoys from nearly 200 countries gather this week for UN-organised climate talks, aimed at implementing the 2015 Paris Agreement to limit fossil fuel pollution, and as a global protest movement calling for tougher action on climate change gathers momentum. The global climate outlook is "bleak" and the planet's pathway back to a safe climate is narrowing, the UN warned last week.

The increasingly dire estimates about the pace of climate change are leading to calls for more extreme solutions than the actions that nations have already committed to.

The slowdown in global emissions growth was still significant, Canadell said. Given the margin of error in the projection, an actual decline could not be ruled out, he added.

“It’s never good news when emissions go up, but it’s still not as bad as I had feared,” said Corinne Le Quere, professor of climate science at the University of East Anglia and a member of the GCP.

The GCP results were published in three different journals: an atlas of international emissions in Environmental Research Letters, an analysis of emissions by fuel type in Nature Climate Change and a planetary overview in Earth System Science Data.

Coal use accounted for 42% of global emissions from fossil fuels, but its importance in power generation is on the wane. In the US, an abundant supply of cheap natural gas is helping accelerate the transition away from the dirtiest fuel.

At the same time, increased gas use was an important driver of emissions growth in 2019, Canadell said.

China’s emissions growth is projected at 2.6% this year, similar to the pace in 2017 and 2018 and the nation is catching up with European emissions on an individual basis at about 6.7 tonnes per person per year. India’s increase is expected to ease to around 1.8% from 8% last year, due to an economic slowdown and a particularly wet monsoon season, which saw strong hydropower generation displace some coal-fired generation.

“The failure to mitigate global emissions, despite positive progress on so many aspects of climate policy, suggests that the full bag of policy options is not being effectively deployed,” the report said.

---

# OPEC gearing up for deeper oil cuts, Russia yet to agree



- \* Iraq says key members support deeper cuts
- \* Riyadh needs higher prices to support Aramco IPO
- \* Oil glut looming without cuts as U.S., Brazil, Norway pump more

By Bozorgmehr Sharafedin, Alex Lawler and Olesya Astakhova

VIENNA, Dec 4 (Reuters) – OPEC is gearing up to deepen production cuts later this week but still needs to agree with allies such as Russia over details of a deal to support oil prices and head off a looming oil glut next year.

The Organization of the Petroleum Exporting Countries (OPEC) meets on Thursday in Vienna followed by a meeting with Russia and others, a grouping known as OPEC+, on Friday.

OPEC+ has been curbing output since 2017 to counter oversupply as a result of booming output in the United States, which has become the world's biggest producer and is not taking part in cuts.

Next year, rising production in non-OPEC countries such as Brazil and Norway threaten to add to the glut.

OPEC's actions have repeatedly angered U.S. President Donald Trump, who demanded OPEC's de facto leader Saudi Arabia bring oil prices down if it wants Washington's to provide Riyadh with military support against arch-rival Iran.

In the past few months Trump has remained silent on OPEC but he faces re-election in November next year when the issue of gasoline prices is likely to become a hot political topic again.

Washington's ongoing trade dispute with China has also clouded the economic and therefore oil demand outlook for 2020.

OPEC's second largest oil producer Iraq said on Tuesday key members supported deepening cuts for OPEC+ from the current level of 1.2 million barrels per day, or 1.2% of global demand.

"My understanding is that they (Saudis) do (prefer it)," Iraqi Oil Minister Thamer Ghadhban told reporters in Vienna.

## **DEEPER CUTS AND COMPLIANCE**

Saudi Arabia needs higher oil prices to support its budget revenue and the pending share sale of state-owned oil giant Saudi Aramco with pricing expected on Thursday.

OPEC's actions have supported oil prices at around \$50-\$75 per

barrel over the past year and on Wednesday they traded at \$61 per barrel.

Iraq's Ghadhban said new cuts could be expanded to 1.6 million bpd while OPEC sources have also said Riyadh was pressing fellow members Iraq and Nigeria to improve their compliance with quotas, which could provide an additional reduction of up to 400,000 bpd.

Non-OPEC Russia has yet to agree to extend or deepen cuts from its current pledge of 228,000 bpd as its companies are arguing they are finding it tough to reduce output during winter months due to very low temperatures.

Russian Energy Minister Alexander Novak said on Tuesday that Moscow had yet to finalise its position: "Let's wait ...But I think the meeting, as usual, will be of a constructive nature."

A source familiar with the Russian thinking told Reuters that Moscow would "most likely" reach a consensus with OPEC this week and just needed to iron out a few outstanding issues.

One sticking point for Russia this time is how its output is measured – it includes gas condensate in its figures, while other producers do not.