In blow to US, EU pledges quick move on tax for polluting firms

The European Commission will quickly start work on a tax on foreign polluting firms, the nominee for the EU's economic and tax commissioner said yesterday, a move that could hit US companies and deepen a trade war with Washington.

In his confirmation hearing before EU lawmakers, Italy's Paolo Gentiloni also pledged "adequate" fiscal efforts to counter an economic slowdown in the eurozone that he said could be longer than currently expected.

"We will try to be very quick and effective on a carbon border tax," Gentiloni, who is due to take office in November, said.

He warned of legal and technical hurdles in devising the levy, but said work would start immediately to make sure the tax would be compatible with World Trade Organisation rules.

The tax is meant to shield European companies from competitors based in countries where climate protection schemes are not as strict.

President Donald Trump intends to pull the United States out of the international Paris climate protection deal that aims to reduce carbon emissions.

Under the terms of the pact, that cannot happen before November4, 2020. Gentiloni's remarks come the day after the United States said it would slap 10% tariffs on European-made Airbus planes and 25% duties on French wine, Scotch and Irish whiskies, and cheese from across the continent as punishment for illegal EU aircraft subsidies..

Previous European commissions have resisted calls, led by steelmakers and traditionally protectionist France, for a carbon levy, but fresh momentum has come from increased prices in the EU Emissions Trading System (ETS), the European Union's flagship instrument for making polluters pay.

In separate comments to lawmakers, Gentiloni, a socialist former Italian prime minister, also said minimum corporate tax rates were one of the possible solutions to what he said was unacceptably excessive tax competition between EU states.

Currently, the 28 EU countries decide freely their national tax rates for firms, with the EU having limited powers only on minimum rates on sales taxes.

He reiterated the EU should move alone on an EU-wide tax on digital corporations if no deal was reached at global level in 2020.

He said he was confident, although "not fully optimistic", about an international agreement by that deadline.

In the event of no consensus, he said the European Commission would begin working on a proposal for an EU digital tax from next summer and would seek to take away from EU governments the veto power on tax matters that prevented the introduction of a digital levy in the bloc last year.

Gentiloni, who will also be in charge of the bloc's economic policy, said the EU should consider measures to favour growth at a time when the bloc faces risks of a prolonged economic slowdown.

"In this situation our economic policies should be strongly oriented towards growth and investment," he told lawmakers.

Gentiloni said the Commission's annual recommendation on the

eurozone's fiscal stance would depend on the "seriousness and duration of the slowdown" as estimated in the next set of EU forecasts due on November 7. That could last longer than six months or a year, as currently expected, he cautioned.
In its latest economic forecasts released in July, the Commission predicted eurozone growth would slow to 1.2% this year from 1.9% in 2018, but forecast growth rebounding to 1.4% in 2020.
The bloc currently has a "broadly neutral" fiscal stance, despite pressure from some countries for more expansionary plans to counter recession risks.
The European Central Bank also backs a more expansionary fiscal stance.
The ECB loosened monetary policy further last month to lift growth and inflation, cutting its key rate to minus 0.5%, inching closer to what is the effective bottom, a level beyond which it would be counterproductive to go.
Gentiloni reiterated he would seek to use the leeway allowed by EU fiscal rules to permit governments to invest for growth and would also target a reduction of public debt.
He called for a review of EU fiscal rules that would make them simpler and urged an "ambitious" funding plan for an EU unemployment reinsurance scheme.
The bloc is currently debating whether to fund this scheme with loans or with more generous grants to states with high unemployment levels.

GECF, Opec in pact to strengthen co-operation in

research and sharing of best practices

Doha-headquartered Gas Exporting Countries Forum (GECF) and the Vienna-based Organisation of the Petroleum Exporting Countries (Opec) have entered into a pact to strengthen co-operation in research and the sharing of best practices.

GECF secretary-general Yury Sentyurin and his Opec counterpart Mohamad Sanusi Barkindo signed a memorandum of understanding (MoU) in Moscow on the sidelines of Russian Energy Week.

The purpose of the MoU is to establish and strengthen co-operation in order to carry out activities and share experiences, views, information and best practices in areas of mutual interest.

The potential areas of co-operation identified include energy market monitoring, analysis, modelling and forecasting; energy market research studies covering the short- medium- and long-term, and their methodologies; energy market data and statistics, data and statistical operational topics (such as methodologies of data gathering, assessment and dissemination); energy initiatives and developments aimed at sustainability, along with environmental and social responsibility; and other areas and matters involving common interests and concerns.

Both the organisations have also agreed to co-operate, where possible and appropriate, on the exchange of information and data; hold expert meetings and internal bilateral workshops to promote the exchange of knowledge and experiences; and co-operate on seminars, workshops, conferences and publications.

The MoU follows discussions that took place earlier this year between the secretaries general on the sidelines of the ninth International Energy Forum-Opec symposium on Energy Outlooks.

At their meeting of February 27, 2019, the secretaries general recognised the numerous areas of mutual interest to both organisations and emphasised their desire to continue working closely together, both at a high-level, as well as on a technical level.

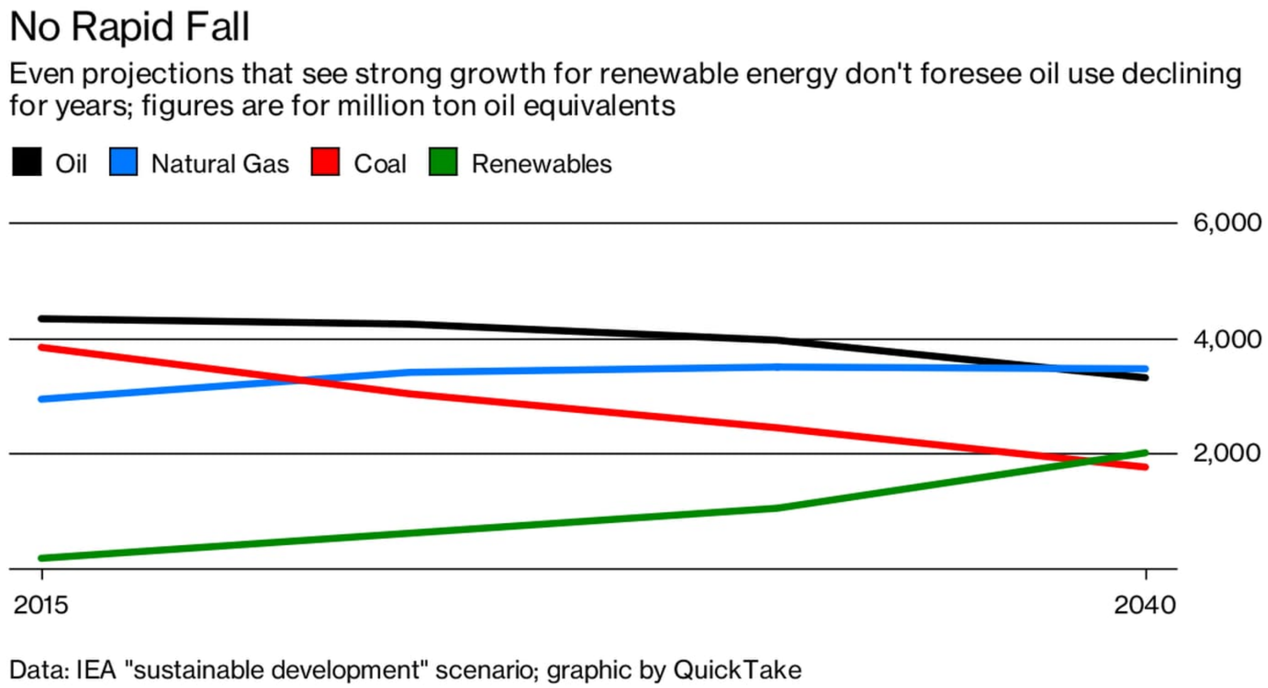
How Climate Divestment Won Converts With Deep Pockets

Can you strike a blow against climate change by getting rid of your oil company stocks — and can you do it without losing money? The idea is not just for activists anymore. Norway took a partial step in selling off oil and gas stocks in its massive $1 trillion wealth fund. And a growing number of investors who control trillions more are using the threat of divestment as a cudgel to force energy companies to adopt greener ways. Together these approaches are producing a notable disruption in the energy field.

1. What's the climate divestment movement about?

It was started in 2012 by the activist group 350.org, whose name is a reference to what some scientists consider the maximum safe level of atmospheric carbon in parts per million. Its goal is to "keep carbon in the ground," in part by weakening the oil, gas and coal industries. Adopting a tactic from the fight in the 1970s and 80s to force South Africa to give up apartheid, it urges universities and other investors to divest themselves of stocks from the 100 largest coal companies and the 100 largest oil and gas firms.

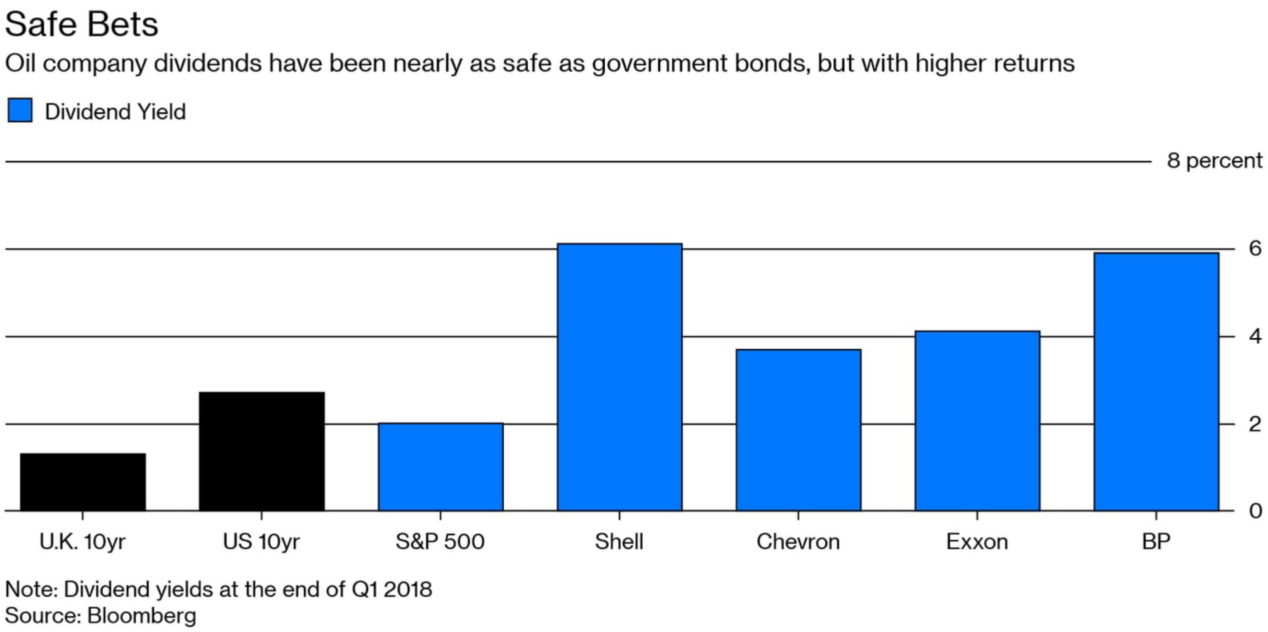
2. How has that gone?



The initial movement has had some success. The group says that so far more than 1,100 institutions, from pension funds to family foundations, mostly in North America and Europe, have made some level of commitment to divesting. But the biggest steps have come from investors acting independently. The Norwegian fund decided to dump $6 billion of oil and gas exploration companies' stocks as a hedge against a long-term decline in crude prices, although it also argued that existing producers are investing heavily in the transition to renewable power. And BNP Paribas Asset Management said it would dump almost 1 billion euros ($1.1 billion) of coal stocks from its actively managed funds.

3. Is this all about coal?

Coal, the dirtiest fossil fuel, has been the primary focus but that's starting to change. One of Exxon Mobil Corp.'s largest shareholders, Legal & General Investment Management, sold $300 million of the oil giant's stock when it wasn't satisfied with the company's emissions reductions strategy.



4. Have those moves had an impact?

In some ways. The biggest success has been how very large shareholders have been using the idea for their own purposes. A coalition of mega-investors called the Climate Action 100+, which collectively oversees more than $35 trillion, has been engaging with companies they feel are most at risk as the world transitions away from fossil fuels. The group has extracted pledges from some of the biggest companies, including BP Plc, Royal Dutch Shell Plc and coal giant Glencore Plc, to better align their businesses with the goals of the Paris climate accord. Royal Dutch Shell also agreed to publish a report on its lobbying of governments.

5. Is this a split in the movement?

Not really. Though the largest and most powerful money managers tend to use the threat of divestment to push companies to succeed, rather than disappear. For example, after freezing out Rio Tinto Group for more than a decade for owning a highly polluting copper mine, the Norwegian sovereign wealth fund re-invested when Rio sold it. It’s now one of Rio’s top 10 shareholders. One of Climate Action 100+’s largest members, Legal & General Investment Management, with about $1 trillion under management, divested its holdings in some large companies in June, saying they failed to engage over global warming.

6. Is there an economic argument for divesting?

That depends on who you ask. Oil companies themselves see demand for their products peaking, but not until sometime between 2025 and 2050, and then slowly declining. Economics drove the thinking at Norway's sovereign wealth fund, the world's biggest, about whether it should dump about $37 billion of fossil-fuel stocks. It ultimately kept most of them, noting that oil and gas companies have become some of the biggest investors in renewables. The Norwegian finance ministry said that diversification may pay off for the fund in the long-term.

7. What are the financial arguments not to divest?

For most investors, having money in an oil company is almost unavoidable. Behemoths such as Exxon Mobil Corp. and Shell are included on every major equity index — core investments, like it or not, for the mutual funds that almost everyone's pensions or 401Ks are invested in. Then there are the dividends. Oil companies distribute money to shareholders with a fervor matched by few others. If you bought a share of Shell during World War II, you would have received a flat or increasing dividend payment every quarter without exception. Those dividend payments have endured through price collapses, the Arab oil embargo, wars, nationalization of assets, government sanctions, worries that supplies would run out and more. Few assets besides government bonds offer that kind of stability. And the yield of a Shell share is more than 6%, while a 10-year U.K. gilt will earn you less than 1%.

8. So does divesting mean taking a financial hit?

It's a question of the time frame. The absolute return of oil companies hasn't outperformed the broader index since 2014 because of an oversupply of crude that caused prices to slump.

Exiting now could mean passing up those fat dividends and possibly rising share prices, but also curbing exposure to the impact of climate legislation and competition from alternative forms of energy.

9. If everyone divested tomorrow, what would happen?

First of all, the sheer size of oil holdings means it would be hard for everyone to sell at once — the Norwegian selloff will be done over years. Even if could happen, it probably wouldn’t cut demand for fossil fuels sharply right away. Renewable energy sources like wind and solar are growing rapidly but from a tiny base. In one scenario modeled by Shell, meeting goals set in the Paris climate accord without fossil fuels would require new energy sources to increase fifty-fold and the reforesting of an area the size of Brazil, among other measures.

10. What do energy companies think of the movement?

They don’t like it. BP Chief Executive Officer Bob Dudley said in October a rising cost of capital for the industry could harm human development, pointing out that cheap energy is essential to economic growth. Executives have also argued that even with a large proliferation of renewables, fossil fuels will remain essential for a wide range of products such as plastics, pharmaceuticals and road surfacing.

—With assistance from Mikael Holter.

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How to halt global warming for $300bn

The world needs to spend $50 trillion on five areas of technology by 2050 to slash emissions and meet the Paris Agreement's goal of halting global warming, Morgan Stanley analysts wrote in a report.

To reduce net emissions of carbon to zero, the world would have to eradicate the equivalent of 53.5 billion metric tons of carbon dioxide a year, according to the report, which identified renewable energy, electric vehicles, hydrogen, carbon capture and storage, and biofuels as the key technologies that could help meet the target.

Carbon emissions from fossil fuels hit a record last year, but estimates vary of how much it would cost to meet the Paris target of keeping the global temperature rise to within 2 degrees. The International Renewable Energy Agency says $750 billion a year is needed in renewables over a decade. United Nations scientists say $300 billion spent on reclaiming degraded land could offset emissions to buy time to deploy zero-carbon technologies.

Here are Morgan Stanley’s estimates for the five key technology areas and some of the companies leading the drive.

Renewables

- Renewable power generation will require $14 trillion by 2050, including investments in energy storage.
- Renewables would need to deliver about 80% of global power by then, up from 37% today, meaning an additional 11 000 gigawatts of capacity, excluding hydro-power.
- Solar energy’s rapidly falling cost will make it the fastest-growing renewable technology over the coming decade with a 13% compound annual growth rate.
- Stocks that could benefit include: CGN New Energy Holdings Co., China Resources Power Holdings Co. and China Suntien Green Energy Co.

Electric vehicles

- With passenger cars currently pumping out about 7% of greenhouse gas emissions, some $11 trillion will be needed to build factories, expand power capacity and develop the batteries and infrastructure needed to switch to electric vehicles.
- With increased investment, annual EV sales could grow from 1.3 million units in 2018 to 23.2 million in 2030, lifting the total number of electric vehicles to 113 million by 2030 and 924 million by 2050.
- Some of the companies to watch: Beijing Easpring Material Technology Co., Rohm Co. and Panasonic Corp.

Carbon capture and storage

- Almost $2.5 trillion would be needed for technologies that capture carbon and store it.
- While it currently costs about $700 million to capture a million tons of carbon a year, the cost of building CCS plants is expected to drop 30% by 2050.
- With more than 200 000 megawatts of new coal-fired generation capacity under construction, CCS is the only option to offset the emissions of these plants, Morgan Stanley says.
- The bank’s top picks include Air Liquide SA and Bloom Energy Corp.

Hydrogen

- About $5.4 trillion is needed for electrolyzers to make the gas, which can help provide clean fuel for power generation, industrial processes, vehicles and heating.
- In addition, $13 trillion would be required to increase renewable energy capacity to power the plants.
- Another $1 trillion would be needed for storage, with additional investment for transportation and distribution.
- Leading players include: Johnson Matthey and Air Liquide.

Biofuels

- Almost $2.7 trillion should go into biofuels like ethanol, which are currently mixed with petroleum products but will spread eventually to areas such as aviation.
- About 4% of global transportation fuel will be biofuel in 2030.
- Ethanol, the most-used biofuel at the moment will grow at about 3% a year, while a type of biodiesel called hydro treated vegetable oil will achieve must faster growth, quadrupling production by 2030.
- Companies invloved include Neste Corporation and Sao

Martinho SA.

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QP wins exploration rights in three Brazil offshore blocks

SOCHI, Russia—Russian President Vladimir Putin on Thursday promised support to Philippine President Rodrigo Duterte in fighting terrorism.

“Mr. President [Duterte], we are ready to continue to develop our partnership and to share our experience and achievements in the field of counterterrorism,” he said during their bilateral meeting in the resort city of Sochi.

The Philippine government under the Duterte administration, Putin said, was able to reduce terror threats and enhance the capabilities of its security forces.

“I recall how you had to fly back home during your previous visit to Russia in May 2017 because of the terrorist attacks staged by ISIS,” he said.
The Russian government also expressed interest to further expand its cooperation with the Philippines.

“Russian companies are willing to increase the export of energy, aircraft, motor transport and special vehicles to the Philippines. We are interested in promoting industrial cooperation and joint projects in the peaceful use of nuclear energy, space exploration and digital technology,” Putin said.

On his part, Duterte reaffirmed Philippines’ commitment to build a comprehensive partnership with Russia.

“In the past 2 years we have seen a dramatic increase in bilateral activities across many areas of cooperation at various levels of government. We have also made historic firsts in the key strategic areas, from economic defense, security and military technical cooperation,” he said.

Meanwhile, in the Valdai Discussion Club where Duterte delivered a speech, he stressed the need to explore new partnerships with non-traditional allies, such as Russia.

He also used the forum to lash out against countries critical of his administration’s campaign against illegal drugs.

“We want unimpeded freedom guaranteed by our constitution to exercise the right to govern ourselves as a people and as we saw it fit,” he said.

He added, “I want our friends and partners to respect our independence to make sovereign decisions just as we respect theirs.”

With 3 years left before his term ends, Duterte said he would sought engagement in Latin America, Africa and the Middle East.

“I want the Filipino people to broaden their worldwide view, to be enriched by the cultures and intellectual traditions of the old civilizations of the Americas, Africa, Central Asia, and the Middle East,” he said.

QP wins exploration rights in three Brazil offshore blocks

Qatar Petroleum (QP), the country’s hydrocarbon bellwether, has won exploration rights in three offshore blocks in Brazil, as part of two bidding consortia.

The winning bids were announced by Brazil’s National Agency of Petroleum, Natural Gas, and Biofuels (ANP) at a public bidding session held in Rio de Janeiro.

Competing bids were submitted to the ANP and the winners were announced throughout the course of Thursday’s public session.

QP won the exploration rights for block [541] in the Campos basin as part of a consortium comprising affiliates of Total (Operator with a 40% interest), QP (40% interest), and Petronas (20%).

It also won the exploration rights for blocks [659 and 713] in the Campos basin as part of a consortium comprising affiliates of Shell (Operator with a 40% interest), Chevron (35%

interest), and QP (25% interest).

“This successful result is the fourth of its kind, which further strengthen QP’s footprint in Brazil, marking yet another successful step towards realising our international growth strategy, and turning Brazil into a cornerstone of our international portfolio,” said HE the Minister of State for Energy Affairs as well as QP president and chief executive, Saad bin Sherida al-Kaabi.

QP, an integrated national oil corporation responsible for the sustainable development of the oil and gas industry in Qatar and beyond, covers the entire spectrum of the oil and gas value chain locally, regionally, and internationally, and include the exploration, refining, production, marketing and sales of oil and gas, liquefied natural gas, natural gas liquids, gas to liquids products, refined products, petrochemicals, fertilisers, steel and aluminium.

France upholds law banning palm oil from biofuel scheme

France’s constitutional court yesterday upheld a law excluding palm oil from the country’s biofuel scheme, rejecting an appeal by energy company Total which says the measure puts at risk its production site in southern France.
The legislation will remove palm oil from a list of permitted biofuels from January 2020 and eliminate related tax advantages.
Total invested €300mn to convert its La Mede site from a crude oil refinery into a biofuel plant, starting output in July. CEO Patrick Pouyanne has warned that if the law were upheld, it could mean losses of up to €80mn ($88mn) for the refinery, forcing the company to rethink its plans.
The constitutional court said in a statement the law was in line with the public interest of environmental protection, “considering the strong growth of palm oil production and the major amount of land used for its production worldwide, and given the deforestation and drying out of peat bogs”.
A spokesman said Total had taken note of the court’s decision and reiterated Pouyanne’s previous comments that the company would not be able to meet an agreement with the government to source some feed stock locally if the law was upheld.
Pouyanne told lawmakers during a hearing in September that Total had no wish to shut down La Mede, which employs around

300 people.
However, he said that the company would not be able to meet commitments such as buying rapeseed oil from French farmers for the refinery.
“We would have to look for an export market, but the refinery will not be competitive,” he said last month.
The European Union also plans to restrict the use of palm oil in biofuel due to the environmental impact, something which has triggered diplomatic tensions with top producers Malaysia and Indonesia.
Under the French government’s 2019 budget, tax exemptions for palm oil will end on January 1, 2020.
The law specifies that palm oil cannot be considered a biofuel unless producers can guarantee it has been produced under conditions that prevent an indirect increase of greenhouse gas emissions.
Tax exemptions for other biofuels remain in place.
Total argues that adding palm oil to fuel is a way of using renewable energy and that the budget law introduced an unjustifiable difference between palm oil and other oilseed crops.
The company won government approval in 2018 to use palm oil to supply La Mede.
It pledged that palm oil would account for less than half of raw material used, with French rapeseed crops and recycled oil also being used.
However, the plans caused uproar among environmental activists and farmers.
Environmental protection group Greenpeace welcomed the court’s decision as “good news for the fight against deforestation” and called in a statement for France to also remove soybeans from the list of crops approved for biofuel.

GLOBAL LNG-Asian prices hit three-week high; tanker rates rise

* CNOOC seeks to charter ships to replace COSCO-linked tankers

* Japan’s Tohoku buys November-delivery cargo – sources

* China’s LNG imports could slow due to terminal repairs

By Jessica Jaganathan

SINGAPORE, Oct 11 (Reuters) – Asian spot prices for liquefied natural gas (LNG) rose to a three-week high this week ahead of winter demand, while tanker rates nearly doubled on limited availability of vessels.

Spot prices for November-delivery to Northeast Asia LNG-AS are estimated to be about $5.80 per million British thermal units (mmBtu), up by 25 cents from last week, said several sources who are market participants.

Prices for December delivery are estimated to be about $6.45 per mmBtu, they added.

Higher oil prices and shipping rates, which have nearly doubled in a week could boost spot LNG prices further, sources added.

LNG tanker rates rose after China National Offshore Oil and Gas Company (CNOOC) sought tankers to charter looking to replace ships it had previously hired that are linked to a Chinese company sanctioned by the United States for allegedly transporting Iranian oil, they added.

Several industry sources said CNOOC is seeking to replace some of six COSCO-linked LNG tankers – Dapeng Sun, Dapeng Moon, Dapeng Star, Min Rong, Min Lu and Shen Hai.

Still, apart from a few spot cargoes, demand from North Asia is yet to increase for winter, trade sources said.

In the spot cargo market, Japan’s Tohoku Electric Power bought a cargo for November delivery from a trader at $5.80 per mmBtu, industry sources said, though this could not immediately be confirmed.

“Demand in Japan is low. I think it is only Tohoku who purchases spot cargoes constantly,” a Japan-based trader said.

Essar Steel India is yet to award a tender seeking 12 cargoes for 2020 delivery, a company spokesman told Reuters.

China’s LNG imports are expected to slow as repairs to the Rudong LNG import terminal is only likely to be done by mid-November after an accident last month, two company sources said.

Kunlun Energy, which operates PetroChina’s LNG receiving terminals, cut intake capacity at Rudong LNG terminal since

Sept. 21 when a tanker collided into a bridge that connects the island where the terminal is located to the mainland during a typhoon.

PetroChina's trading unit Chinaoil is diverting some of the LNG meant for the Rudong terminal to its two other receiving terminals in Tangshan and Dalian, one of the company sources said. The company also offered spot cargoes earlier this week, traders said.

BHP Group has offered a cargo for loading in November from the North West Shelf plant in Australia while Angola LNG plant offered two cargoes for delivery in October and November.

Qatar set to host sixth Gas Summit of GECF in 2021

Qatar will host the sixth Gas Summit of the Gas Exporting Countries Forum (GECF) in 2021, offering an opportunity for dialogue at the highest levels on the latest developments and trends related to the global gas industry.

The announcement was made during the conclusion of the 21st GECF ministerial meeting in Moscow. This will be the second summit to be held in Doha after the forum's first summit on November 15, 2011.

"We look forward to a highly successful meeting that reflects our deep belief in dialogue and co-operation in the effort to meet the world's growing demand for energy," said HE Saad bin Sherida al-Kaabi, Minister of State for Energy Affairs, the president and chief executive of Qatar Petroleum.

He said Qatar is committed to the responsibilities it carries as the world's leading liquefied natural gas producer, foremost of which is encouraging regional and international dialogue as well as promoting natural gas as the cleanest of fossil fuels and the destination fuel in the transition to low carbon economies.

Earlier addressing the ministerial meet in Moscow, al-Kaabi had stressed the importance of natural gas in meeting the economic and environmental challenges facing energy consumers around the world.

Drawing attention to unprecedented recurrent climatic conditions, including mean temperatures, turbulent seasonal cycles and extreme events, he had said it is time to take another look at natural gas and the number of advantages it has to make it a pivotal element in any strategy to tackle environmental challenges.

The GECF, which is headquartered in Doha, is an international governmental organisation that provides a framework for knowledge sharing among its member countries. It is made up of the world's leading gas exporting countries and was set up with the objective to increase the level of co-ordination and strengthen the collaboration among its member countries.

Africa May Have 90% of the World's Poor in Next 10 Years, World Bank Says

Africa could be home to 90% of the world's poor by 2030 as governments across the continent have little fiscal space to invest in poverty-reduction programs and economic growth remains sluggish, the World Bank said.

That's up from 55% in 2015 and it will happen unless drastic action is taken, the lender said in its biannual Africa Pulse report released Wednesday, in which it also cut growth forecasts for the region's key economies.

The rate of poverty reduction in Africa "slowed substantially" after the collapse in commodity prices that started in 2014, resulting in negative gross domestic product growth on a per capita basis, according to the report. “As countries in other regions continue to make progress in poverty reduction, forecasts suggest that poverty will soon become a predominantly African phenomenon.”

While the poverty rate in sub-Saharan Africa, defined as the percentage of people living on less than $1.90 per day, fell between 1990 and 2015, rapid population growth resulted in the number of poor people on the continent increasing to more than 416 million from 278 million over the same period, according to World Bank data.

The lender said pro-poor growth policies are required to accelerate poverty reduction and that fiscal tightening limits governments’ ability to spend on social sectors.

“Given the limited scope for redistribution and transfers to raise the incomes of the poor in most African countries, the focus should be squarely on raising their labor productivity, that is, what it will take to increase their earnings in self-employment or wage employment,” according to the report.
Government debt increased to 55% of GDP in 2018, from 36% in 2013 due to a lack of fiscal consolidation after countries tried to counter the effects of the global financial crisis by boosting spending, the World Bank said. About 46% of African countries were in debt distress or considered at high risk in 2018 compared with 22% five years earlier.

“For many countries it’s not a good idea to borrow non-concessionally because of the risk of the debt distress that they already have,” World Bank Vice President Akihiko Nishio said in an interview Oct. 2 in Ivory Coast’s commercial capital, Abidjan. “They should instead focus on concessional credits and grants.”

The lender lowered its economic growth forecast for sub-Saharan Africa to 2.6%, down from its April projection of 2.8%.

— *With assistance by Katarina Hoije*