

# Russian giant ready to join oil, gas exploration in Pakistan



ISLAMABAD: In a positive development, TatNeft – a Russian state owned oil and gas company that has so far drilled 50,000 wells all over the world is ready to join oil and gas exploration activities in Pakistan in a big way.

The top officials of the said Russian Company came up with their willingness in becoming part of the E&P activities in Pakistan in a meeting of Pakistan Russian Joint Working Group (JWG) on Energy that met here on Monday. It was the 7th meeting of JWG on Energy between the two countries, a senior official who was part of meeting told The News.

The meeting participants discussed oil and gas sector, gas pipelines, power projects and barrages and dams.

In the meeting, Russia was represented by Talyat Aliev, deputy head of department, Ministry of Energy of the Russian Federation whereas Joint Secretary Petroleum Division Syed

Tauqir Hussain represented Pakistan. This meeting was the part of Inter-Governmental Commission (IGC) between the two countries. A 64-member delegation headed by Minister for Trade and Industries for the Russian Federation Denis V Manturov is visiting Pakistan for four days from December 8 to 11 to attend an Inter-Governmental Commission. Both sides will find out more avenues in cooperation on trade, economic, scientific, and technical areas in IGC meetings. The Joint Working Groups of the countries on Trade and Industry will also meet today (Tuesday).

However, the official said that since its emergence, in toto 1100 oil and gas wells got drilled in Pakistan when it comes to comparing the total wells of 50,000 spud by TatNeft alone. More importantly Bank of New York owns 23 percent shares of TatNeft company, and the government owns 34 percent and over 40 percent shares doled out in Moscow Stock Exchange and London Stock Exchange.

In today's meeting, the official said, it is also mentioned that subsequent to signing of Inter-Governmental MoU on cooperation for implementation of Offshore Gas Pipeline Project on September 27, 2018, the nominated entities – Public Joint Stock Company Gazprom from Russian side and Inter State Gas System (Pvt) Limited from Pakistan side – signed Inter Corporate MOU on 6th February 2019.

In the meeting, both sides agreed that the nominated entities will expedite execution of the relevant documents and initiate the requisite studies in the near future.

In the oil and gas sector, it is agreed that since the signing of MoU in July 2017 between PJSC Gazprom and Oil & Gas Development Company Limited (OGDCL), there is a need to expedite progress on the mutually beneficial projects by both sides.

Both sides encouraged their respective nominated entities

Gazprom International and OGDCL to jointly work on the envisaged areas of cooperation. It was noted that Gazprom International is currently reviewing Rajian Field of OGDCL for possible Enhanced Oil Recovery (EOR) application whereas OGDCL is in the process of evaluating an opportunity in Algeria in which Gazprom is the Operator and OGDCL intends to be JV partner.

The official said, that the Russian side informed of the interest of PJSC NOVATEK to discuss LNG supplies to Pakistan from the portfolio of the company. The official said that Pakistan side appreciated the interest of PJSC NOVATEK and encouraged it to participate in LNG tenders as and when announced.

The Russian side informed about the interest of the Russian State Geological Holding ROSGEO to establish cooperation with the governmental bodies and organisations of Pakistan and expand cooperation in the field of geological exploration with Pakistani institution.

Both Sides appreciated the offer of cooperation of the Russian State Geological Holding ROSGEO for the Pakistani institutions in the creation of a scientific and computational center in Islamabad for the processing and interpretation of geological and geophysical data.

Pakistan side proposed Geological Survey of Pakistan (GSP), Oil and Gas Development Company Ltd (OGDCL) and Pakistan Petroleum Limited (PPL) as counterpart entities to further discuss the proposal in detail with Russian State Geological Holding ROSGEO. Both Sides expressed support for the training and professional development of the specialists in Pakistan in the field of oil and gas business on the basis of joint programmes of ROSGEO JSC and the Russian State Geological Exploration University named after Sergo Ordzhonikidze.

Pakistan side informed the Russian side about the forthcoming

divestment of government of Pakistan shares in OGDCL and PPL also encouraged Russian side to consider participating in the process to become a strategic partner by acquire the shares.

Pakistan side informed that Pakistan Refinery Limited, a subsidiary of Pakistan State Oil Limited needs revamping and upgradation, any Russian companies which may be interested in equity participation and EPC+F for revamping and upgradation of the refinery may approach.

Coming to Power Sector, the official said that the Russian side expressed its interest to continue work on the inter-governmental agreement on implementation of project of construction of 600MW combined cycle power plant in Jamshoro and expect that Pakistan side will take positive decision on the issue of feasibility of the project from the point of expanding generation of electricity.

Both the sides support the interest of Inter RAO-Engineering to consider the possibility to participate in engineering projects of construction of power generation and rehabilitation of existing power generating capacities in Pakistan.

The Russian side confirmed the interest of Power Machines PJSC in developing cooperation with Pakistani companies in the construction of new and modernisation of existing electrical energy facilities, including Muzaffargarh TPP.

Pakistan side has a the training centre at Muzaffargarh and invited Russian side to participate in the same. Russian side informed that Russian company IED has expressed interest in developing the training centre at Muzaffargarh TPP.

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# Sweden's energy deal collapses amid clash over nuclear power



- \* Capacity tax to be phased out over 2 years from 2017
- \* New reactors to be built to replace old ones (Adds Energy Minister comment, background)

STOCKHOLM, June 10 (Reuters) – Sweden said on Friday it would phase out some taxes on nuclear power and build new reactors to replace aging plants and secure energy supplies for decades to come.

Nuclear power providers in Sweden have said they would be forced to shut the country's loss-making nuclear reactors unless a tax on nuclear capacity is abolished, risking a spike in electricity prices and energy shortages for industry.

"The aim is ... to make sure we can always guarantee electricity at competitive prices, in a stable and sustainable way, both in the short and long term," Energy Minister Ibrahim Baylan

told reporters.

The tax, which brought in about 4 billion Swedish crowns (\$488 million) in 2015, will be phased out over two years starting from 2017, but households will see their energy bills rise as Baylan said the government would increase taxes on energy users to make up for the nuclear tax. Heavy industry, however, would be excluded from the tax rise.

In a broad deal agreed with the main opposition parties, the government also said it would allow up to 10 new reactors to be built as the country closes its old plants, built in the 1970s and 80s.

The tax on capacity – which was increased last year – has hurt profitability at plants already under pressure from low market prices and the need for expensive upgrades to meet tougher safety standards since Japan's Fukushima nuclear disaster.

Swedish state-owned utility Vattenfall and Germany's E.ON have said they will shut four of Sweden's 10 nuclear reactors earlier than previously planned. One of them was shut last year.

In April, Vattenfall said all the remaining six reactors would have to close by 2020 if the capacity tax was not abolished.

Nuclear plants produced around 34 percent of Sweden's electricity in 2015.

The deal to end the tax is a blow for the Green Party, which wants nuclear power phased out as soon as possible and instigated the increase in the tax last year. (\$1 = 8.1964 Swedish crowns) (Reporting by Johan Sennero; Editing by Simon Johnson and Susan Fenton)

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# A new hope for US climate action



The United Nations Climate Change Conference (COP25) currently taking place in Madrid is supposed to prepare the ground for more ambitious national climate commitments. Nowhere is this more important than in the country where national leadership on climate change is least likely: the United States.

But a new report should give the world hope that it's not too late to keep the U.S. on a path in line with global aspirations to avoid the most catastrophic effects of climate change. This will require continued leadership from American states, cities and businesses that are already stepping up, combined with reinvigorated action from the federal government.

The U.S. is the world's second-largest emitter of greenhouse gases, and was the largest overall emitter for decades. Although China surpassed it in 2006, America's cumulative emissions remain unmatched. And yet, far from leading the way on climate action, the U.S. under President Donald Trump's

administration has rolled back many federal climate and environmental rules and formally indicated its intention to withdraw from the 2015 Paris climate agreement by late next year.

Fortunately, the rest of the U.S. is not following Trump's lead. Across the country, a massive coalition of states, cities, businesses, universities, and others have declared that "We Are Still In." Despite the federal government's official withdrawal from the Paris agreement, they will take the necessary steps to fulfill America's climate commitments.

This is no pie-in-the-sky declaration. The coalition's more than 3,800 participants (and counting) include states, cities, and counties that account for 65 percent of the U.S. population, nearly 70 percent of U.S. GDP equivalent to an economy larger than China's and over half of U.S. emissions. For example, 145 U.S. cities have committed to 100 percent clean electricity, and six have already achieved it.

But serious questions remain. How much progress can this coalition make to reduce emissions without the federal government's support? And how much better would the situation be if the U.S. administration and Congress recommit to climate action?

These are the questions that America's Pledge, a Bloomberg Philanthropies initiative, has been working to answer over the last year.

The conclusions are both reassuring and daunting. According to the initiative's just-released third report, "Accelerating America's Pledge" (produced in collaboration with the Rocky Mountain Institute, the University of Maryland and the World Resources Institute), stronger action by states, cities and businesses could reduce U.S. greenhouse-gas emissions by 37 percent (compared to 2005 levels) by 2030.

In other words, even without the federal government, the U.S.

can drastically reduce emissions, improve air quality and stimulate broad-based economic gains. Success would require an expanded coalition of non-federal actors to move quickly and ambitiously to transform energy and transportation systems, including by building on the innovative measures that U.S. states, cities and businesses are already taking.

The impact of such a movement promises to extend beyond U.S. borders, with bottom-up commitments in the country leveraged to increase climate ambition around the world. This is already starting to happen. For example, Alliances for Climate Action connects cities, states, the private sector, investors, universities and civil-society organizations in Argentina, Japan, Mexico, South Africa, the U.S. and Vietnam, so that they can work with one another and with their national governments to spur climate action.

But the role of the national government remains important. Despite the potential of bottom-up climate leadership, the fact remains that the results are much better when combined with top-down coordination and oversight. The America's Pledge report shows that aggressive U.S. federal re-engagement on climate action in the form of a comprehensive "all-in" strategy could reduce emissions by 49 percent by 2030, putting the country on track to reach net-zero emissions by mid-century.

So, despite three years of federal indifference, all hope for effective climate action in the U.S. is not lost. But we cannot afford to rest easy. The needed transformation will require broad citizen mobilization, increased energy productivity, disruptive innovation, updated market structures and forward-thinking investment. The U.S. Congress and executive branch must take aggressive, quick action, placing climate change and the associated economic transformation at the top of the policy agenda.

The rewards would be tremendous. Beyond environmental

benefits, the changes outlined in the America's Pledge report, if designed well and implemented efficiently, could boost prosperity, lower consumer costs and improve public health. By 2030, the economic transformation could deliver equal or better performance in electricity, vehicles, and buildings compared to fossil-fuel technologies and at a lower price.

For example, it is already cheaper to shut down coal-fired power plants and replace them with wind and solar than it is to keep the plants online. In addition, the transition will create new job opportunities and the careers of the future, including in renewable energy, electric vehicle manufacturing and sustainable forestry (among others). Recent analysis by the Global Commission on the Economy and Climate shows that smart climate action can create global economic gains of \$26 trillion by 2030, as well as generating 65 million jobs.

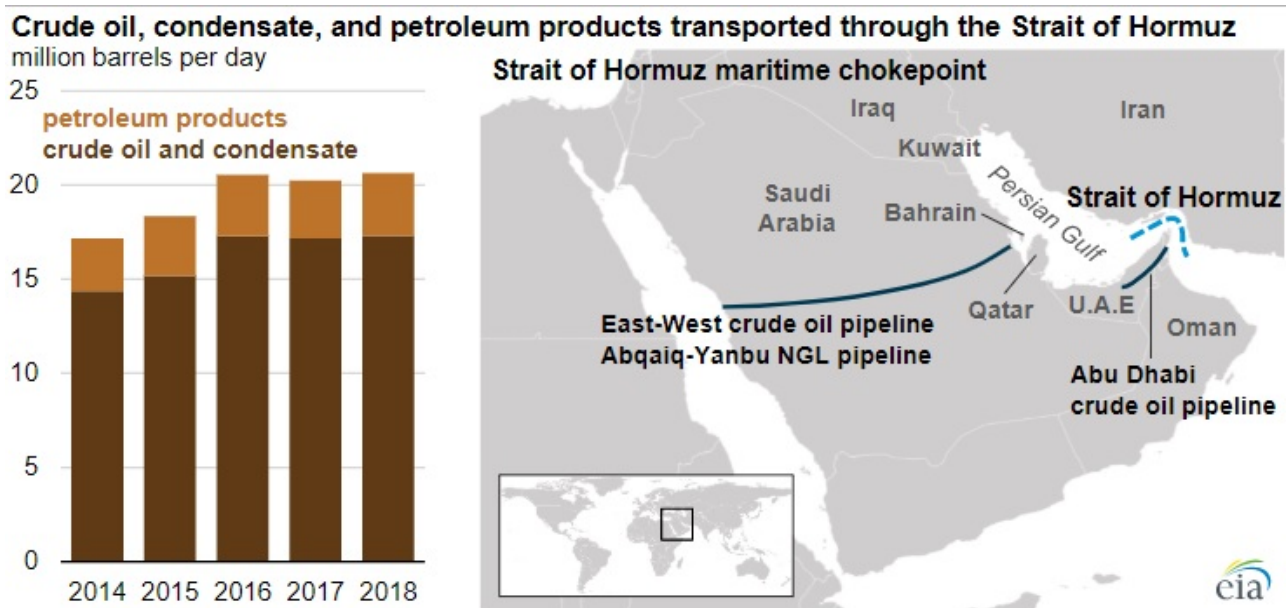
Non-federal U.S. actors have laid a strong foundation for climate action, and they continue to drive progress. But to achieve the necessary transformation as quickly as required, more elected U.S. officials and national leaders will need to step up.

Jules Kortenhorst is CEO of the Rocky Mountain Institute. Andrew Steer is president and CEO of the World Resources Institute. THE DAILY STAR publishes this commentary in collaboration with Project Syndicate © (www.project-syndicate.org)

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# **The Strait of Hormuz is the**

# world's most important oil transit chokepoint



The Strait of Hormuz, located between Oman and Iran, connects the Persian Gulf with the Gulf of Oman and the Arabian Sea. The Strait of Hormuz is the world's most important oil chokepoint because of the large volumes of oil that flow through the strait. In 2018, its daily oil flow averaged 21 million barrels per day (b/d), or the equivalent of about 21% of global petroleum liquids consumption.

Chokepoints are narrow channels along widely used global sea routes that are critical to global energy security. The inability of oil to transit a major chokepoint, even temporarily, can lead to substantial supply delays and higher shipping costs, resulting in higher world energy prices. Although most chokepoints can be circumvented by using other routes that add significantly to transit time, some chokepoints have no practical alternatives.

Volumes of crude oil, condensate, and petroleum products transiting the Strait of Hormuz have been fairly stable since 2016, when international sanctions on Iran were lifted and Iran's oil production and exports returned to pre-sanctions

levels. Flows through the Strait of Hormuz in 2018 made up about one-third of total global seaborne traded oil. More than one-quarter of global liquefied natural gas trade also transited the Strait of Hormuz in 2018.

#### Crude oil, condensate, and petroleum products transported through the Strait of Hormuz

million barrels per day

	2014	2015	2016	2017	2018
Total oil flows through Strait of Hormuz	17.2	18.4	20.6	20.3	20.7
Crude and condensate	14.4	15.2	17.3	17.2	17.3
Petroleum products	2.8	3.2	3.3	3.1	3.3
World maritime oil trade	56.4	58.9	61.2	62.5	N/A
World total petroleum and other liquids consumption	93.9	95.9	96.9	98.5	99.9
LNG flows through Strait of Hormuz (Tcf per year)	4.0	4.2	4.2	4.1	4.1

**Source:** U.S. Energy Information Administration, based on *Short-Term Energy Outlook* (June 2019), ClipperData, Saudi Aramco bond prospectus, Saudi Aramco annual reports, Saudi Ports Authority, International Group of Liquefied Natural Gas Importers, and U.N. Conference on Trade and Development

**Note:** LNG is liquefied natural gas; Tcf is trillion cubic feet

There are limited options to bypass the Strait of Hormuz. Only Saudi Arabia and the United Arab Emirates have pipelines that can ship crude oil outside the Persian Gulf and have the additional pipeline capacity to circumvent the Strait of Hormuz. At the end of 2018, the total available crude oil pipeline capacity from the two countries combined was estimated at 6.5 million b/d. In that year, 2.7 million b/d of crude oil moved through the pipelines, leaving about 3.8 million b/d of unused capacity that could have bypassed the strait.

#### Operating pipelines that bypass the Strait of Hormuz, 2018

million barrels per day

Pipeline name	Country	Capacity	Throughput	Unused capacity
Petrolina (East-West Pipeline)	Saudi Arabia	5.0	2.1	2.9
Abu Dhabi Crude Oil Pipeline	United Arab Emirates	1.5	0.6	0.9
Abqaiq-Yanbu Natural Gas Liquids Pipeline	Saudi Arabia	0.3	0.3	0.0
<b>TOTAL</b>		<b>6.8</b>	<b>3.0</b>	<b>3.8</b>

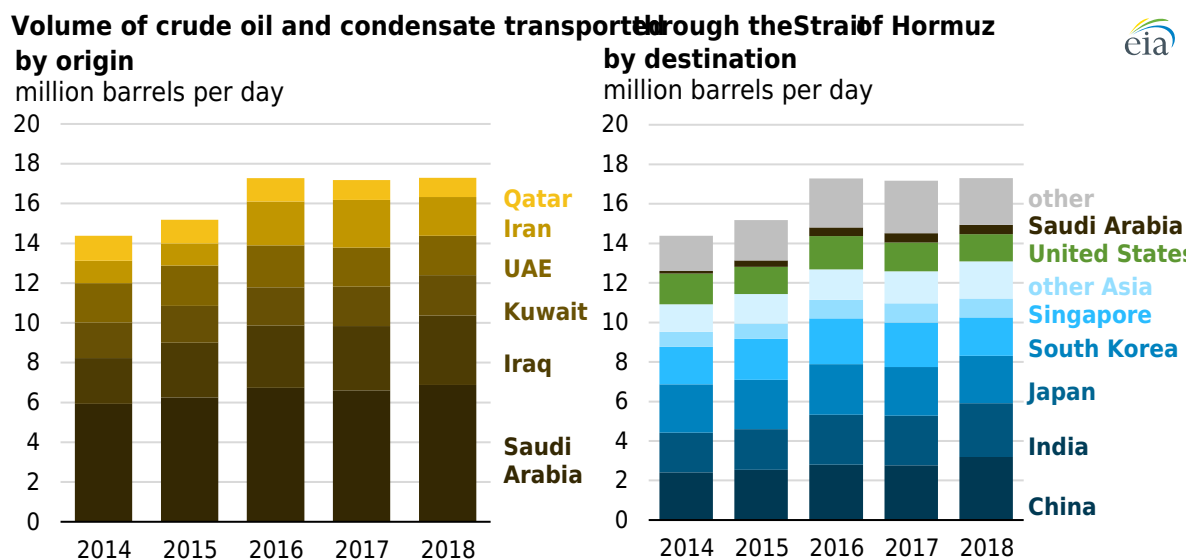
**Source:** U.S. Energy Information Administration, based on ClipperData, Saudi Aramco bond prospectus (April 2019)

**Note:** Unused capacity is defined as pipeline capacity that is not currently used but can be readily available.

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Based on tanker tracking data published by ClipperData, Saudi Arabia moves the most crude oil and condensate through the Strait of Hormuz, most of which is exported to other countries (less than 0.5 million b/d transited the strait in 2018 from Saudi ports in the Persian Gulf to Saudi ports in the Red Sea).

EIA estimates that 76% of the crude oil and condensate that moved through the Strait of Hormuz went to Asian markets in 2018. China, India, Japan, South Korea, and Singapore were the largest destinations for crude oil moving through the Strait of Hormuz to Asia, accounting for 65% of all Hormuz crude oil and condensate flows in 2018.



**Source:** U.S. Energy Information Administration, based on tanker tracking data published by ClipperData, Inc.

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In 2018, the United States imported about 1.4 million b/d of crude oil and condensate from Persian Gulf countries through the Strait of Hormuz, accounting for about 18% of total U.S.

crude oil and condensate imports and 7% of total U.S. petroleum liquids consumption.

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## **EU fuels Indonesia trade tensions with 5-year biodiesel tariffs**



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

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

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

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

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

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

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

### Indonesian retaliation

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

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

Indonesian exporters' combined share of the EU biodiesel market rose to 3.3% – or 516,088 metric tons – in the 12 months through September 2018 from 0.2% in 2017 and 0.3% in 2016, according to the commission.

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

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

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## **Gazprom for Pakistan gas pipeline feasibility study**



Russian company Gazprom is set to initiate the feasibility study in the first quarter of 2020 for laying down undersea pipeline starting from Gulf to Pakistan, India and Bangladesh

initially that will ultimately end to China after touching Myanmar and Thailand, a senior official of the Petroleum Division privy to the development said.

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

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

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

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

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

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

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

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

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

Russia is already engaged with Pakistan on North South Gas Pipeline, which will cost \$2bn-2.5bn. However, Gazprom has also shown interest in building gas storages in Pakistan with investment of \$400mn-\$500mn. Russia is also interested in

investing in exploration and production activities in Pakistan and to this effect Gazprom is currently engaged with the top management of OGDCL.

However, under the agreement, another top Petroleum Division official said Gazprom Company from gas deposits in Iran and in other Middle East countries owned by Russia will ensure gas sourcing in the pipeline for the said buyer countries. The buyer countries under separate agreements with the said Russian company will have gas intakes from the said pipeline.

The official said Pakistan will share its credible data with Russian company about the demand of gas with future projections in next one decade keeping in view existing pricing structure, and regulatory and taxation regimes. The data for demand would be worked out keeping in view the renewable power policy and future LNG terminal being installed by private companies.

The same data India will provide to Russian company too.

After having the required data from Pakistan and India, the Russian company will ink commercial agreements with buyer countries. Based on data from both the countries, Gazprom will start the feasibility in the first three months of 2020 and the whole process starting from sharing the data to completion of feasibility report will be finished in one year time and if the project is found feasible, the pipeline will be laid down undersea in 3-4 years.

To a question, the official said that Pakistan had the option to build spur pipeline to connect the undersea pipeline and the spur pipeline can also be connected to S-N pipeline.

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## **Can Pakistan make transition**

# to electric vehicles soon?



KARACHI: When you think of electric vehicles, you think of Elon Musk, a noiseless Tesla and luxury more than zero emissions. But today the government wants to use the same technology for the common man – to run bikes, rickshaws and even buses, jeeps and trucks. Will this transition from fossil fuel vehicles to electric vehicles in Pakistan happen anytime soon?

Cities are witnessing the worst ever smog. This was followed by a climate march with youth demanding climate justice.

Thus the Pakistan Tehreek-i-Insaf government could not have chosen a better time than when the UN climate summit COP 25 is taking place to make a strong case against tailpipe emissions from urban transportation, a major contributor to air pollution and climate change.

Little wonder then they quickly got the nod of approval by the cabinet for the first national electric vehicle (EV) policy.

With 43 per cent of the airborne emissions in the country coming from the transport sector, federal Minister for Climate Change Malik Amin Aslam said that transitioning to EV provided a “huge opportunity” for the country.

“These will have many advantages for Pakistan – it will reduce pollution, will cut the cost of fuel by 70pc thereby [leading to] huge saving for FFV (fossil fuel vehicle) owners, and will cut the country’s import bill tremendously.”

There are three million private cars and 20m motorcycles and motorised rickshaws plying the roads, according to the Pakistan Bureau of Statistics, as cited in the Economic Survey 2018-19, mainly due to the absence of a good public transport system.

Riaz Haq, who has worked in various tech firms for 35 years in the Silicon Valley and is an EV enthusiast, said that with 32m households and 17.5m motorcycles registered in Pakistan, the motorcycle ownership increased from 41pc in 2015 to 53pc in 2018.

The new policy envisions using electricity to get 100,000 cars, 500,000 two- and three-wheelers, 1,000 buses and trucks to ply the roads in the next five years. By 2030 it sees 30pc of all new cars, big and small trucks, vans, and jeeps and 50pc of all two-, three- and four-wheelers to be electric vehicles reducing tailpipe emissions by 65pc. By 2040, if all goes well, 90pc of all vehicles on the roads will be EVs.

“The PM wants all new buses coming on the road to be electric hybrid – run both on electricity and CNG (compressed natural gas),” said the federal minister.

Most experts are lauding the policy as a step in the right direction. “It is a forward-looking step needed to deal with climate concerns from growing transport sector emissions with rapidly rising vehicle ownership,” Mr Haq wrote in his blog.

Another proponent for EVs, Islamabad-based energy expert Vaqar Zakaria, said that “surplus power generation capacity, building off-peak demand for better utilisation of generation capacity which also brings down generation costs, poor urban air quality, high levels of noise from traffic and safer cars”

are some of the reasons to make the move.

The automobile industry remains sceptical though. "I would love to see EV launched in Pakistan, but it means developing a huge set-up anew," said Juzer Amreliwala, the chief executive officer of a Honda partner in Karachi.

"On the face of it, it looks great. But establishing proper after-sales set-up requires both capital and human investment. Although most dealerships have come quite far in technology development, much training is still needed," he added.

Aware of the infrastructure that will be needed for EVs, the minister for climate change sees it as an opportunity with a whole new service industry and numerous livelihood options opening up. "Pakistan is thirsting for new business opportunities and markets. If we build our capacity technologically, Pakistan can become a hub for exporting EVs – especially two- and three-wheelers," Mr Aslam said.

However, a potential problem with the policy is the plethora of government supervisors – nine ministries, the Higher Education Commission, the State Bank of Pakistan and various authorities in energy sectors. "This industry transcends so many domains that all these stakeholders had to be included," explained Mr Aslam. "Interaction and cooperation between stakeholders are the mark of good governance."

Vaqar Zakaria warns of the "vested interests" who may not like the transition. "Those that sell low quality fuel and cheat on quantity sold will not like it, the refiners will not like it, the car traders will not like it as the EVs will last longer, the industry as it presently will not like it, the FBR may say the government will lose taxes on imported fuel which are huge at the moment and a significant source of revenue for the government. But as a consumer I will be delighted... if they only let me import EVs and E-bikes at reasonable cost."

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# **Qatari-Turkish partnership an inspiring model of bilateral alliances, says al-Kuwari**



HE Ali bin Ahmed al-Kuwari, Minister of Commerce and Industry, is leading Qatar's delegation to the OIC High Level Public and Private Investment Conference, which is taking place in Istanbul from yesterday, under the theme of "Unleashing Intra-OIC Investment Opportunities: Investment for Solidarity and Development." The conference will end today.

Qatar's participation in the conference comes within the framework of its keenness to strengthen bilateral relations with Turkey and to bolster co-operation with OIC member states, while providing insight into the investment climate in Qatar and the opportunities that the State offers in various promising sectors.

In his remarks, al-Kuwari said the conference represented a key step towards promoting trade and investment co-operation

and integration among Islamic countries.

Al-Kuwari noted that numerous international institutions have lowered their estimates for global growth for the current year, including the Organisation for Economic Cooperation and Development (OECD), which noted in its latest November 2019 report that the global economy will grow at the slowest pace since the global financial crisis at a rate of 2.9% in 2019 and an average of 2.9%-3% between 2020 and 2021.

The International Monetary Fund (IMF) also projects that over 70% of economies around the world will experience a decline in GDP growth to 3.3% in the first half of the year compared to 3.6% in 2018, al-Kuwari added.

Al-Kuwari explained that these estimates reflect delicate geostrategic and economic changes that coincided with a slowdown in multilateral trade and the negative repercussions of political uncertainties, which are leading to rising economic nationalism and protectionist measures at the global trade level, which resulted in a slowdown in various global economic sectors, especially foreign direct investments.

Al-Kuwari said the decline in investment inflows was evident across OIC Member States, noting that FDI inflows into the OIC region stood at \$107.4bn in 2018, dropping by \$35.6bn compared 2011. Al-Kuwari noted that this decline reflects the magnitude of the challenges faced by investors in OIC countries, particularly in terms of restrictions imposed on the transfer of profits and foreign capital. Al-Kuwari called for the adoption of a comprehensive economic strategy to encourage investment inflows and stimulate growth in a way that reflects the economic capabilities and potential of member states in a bid to achieve economic integration and promote joint Islamic action.

Touching on Qatar's economic performance, al-Kuwari explained that the Qatari economy saw a balanced and flexible performance in the midst of these global conditions.

In this context, al-Kuwari highlighted Qatar's efforts to support the private sector and to diversify its economy in line with the National Development Strategy 2018-2022, which

aims to promote the growth of added value sectors including the industrial, financial services and tourism sectors.

Al-Kuwari highlighted that Qatar has sought to speed up the implementation of key initiatives and measures aimed at cementing the country's position as an attractive business and investment destination.

Touching on Qatar's legislative environment, al-Kuwari emphasised Qatar's keenness to consolidate foreign investment-friendly laws such as the law regulating the investment of non-Qatari capital in economic activity and the Free Zones Investment law, which allow investors up to 100% ownership.

Al-Kuwari noted that Qatar is embracing a policy of economic openness to effectively engage with global markets, and build fruitful international partnerships, by capitalising on its developed infrastructure such as Hamad International Airport and Hamad Port as well as free zones and logistical and industrial areas, which represent an important incentive for foreign companies to invest in non-oil sectors to tap local markets and expand their business into new regional markets.

Al-Kuwari elaborated on the Qatari-Turkish strategic partnership, which represents an inspiring model of bilateral regional alliances.

Al-Kuwari explained that Qatar and Turkey enjoy close and friendly relations, noting that these relations reflected positively on bilateral trade, which reached about QR5.69bn, the equivalent of \$1.55bn between January and September 2019.

Al-Kuwari added that the growth in bilateral trade reflects the effectiveness of Qatari-Turkish joint measures and initiatives particularly the Trade and Economic Partnership Agreement that was signed in November 2018.

Al-Kuwari noted that this agreement represents a decisive step in bolstering economic integration between Qatar and Turkey, adding that the benefits of the agreement outweigh those secured within the framework of the World Trade Organisation in terms of preferential transactions and customs exemptions for goods and services as well as the incentives it offers to investment companies in both countries.

Al-Kuwari praised Turkish companies for contributing to the growth of the Qatari economy, noting that more than 535 Qatari-Turkish joint companies are currently operating in Qatar.

Al-Kuwari concluded his remarks, noting that the purpose of his participation in the conference is to bolster joint Islamic action in line with the OIC principles and objectives, and to develop co-operation and co-ordination mechanisms among member states to promote investments and to serve the developmental orientations and aspirations of people in terms of stability and prosperity.

During its participation in the conference, the Qatari delegation showcased the most prominent laws and legislations that the State ratified to stimulate foreign direct investments, in addition to the incentives and services offered to investors to streamline the submission of investment applications and the processing of transactions, and to eliminate obstacles that may face investors with relevant authorities, which will contribute to attracting foreign direct investments and enhancing Qatar's competitive position in the region and beyond.

The conference aims to promote investments within the framework of the OIC by reducing obstacles that impede the flow of goods, services and financing between OIC member states and adopting mechanisms that facilitate business procedures.

The conference provides a platform for public and private policymakers in OIC member states to discuss issues of common interest including innovative financing sources for the development of the private sector and the enhancement of the global value chain as well as the role of export credit agencies in mitigating trade and political risks to encourage and protect investments, in addition to the dynamics of the private sector to enhance investment flows within OIC and the role of investment promotion agencies in promoting investments within the organisation's framework among other topics aimed at enhancing sustainable partnerships between public and

private sector stakeholders in member countries and stimulating investments in the region.

The High Level Public and Private Investment Conference is organised and sponsored by Turkey, the Organisation of Islamic Cooperation and the Islamic Development Bank. The conference, which sheds light on various sectors including the trade, agricultural and infrastructure sectors, brings together 750 participants from 56 countries, including heads of states, ministers, senior officials, decision makers and business leaders.

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## Spain smooths way for LNG to boost biggest storage hub in Europe



Spain is undergoing the biggest overhaul of its liquefied natural gas system in an effort to boost its role as a key storage and trading hub for the fuel. With more LNG terminals than any other country in Europe, Spain is turning its domestic-focused network into one more accessible to global traders. Starting next year, the country plans to reform its storage limits and fees that have in the past deterred shippers from stockpiling and reloading LNG there. The timing couldn't be better as new plants from the US to Russia add ever more LNG to a market in a market that's already testing storage limits. That supply glut resulted in a record number of LNG cargoes sailing to Europe last month, a trend poised to continue through the rest of the year.

“The high costs of using Spanish infrastructure meant that

Spain largely lost out to other European countries in the reload arbitrage to Asian markets in 2017-18,” said Leyra Fernández Díaz, a global gas analyst at Energy Aspects Ltd. “This will likely no longer be the case after the reforms.” Spain’s terminals have about the same combined storage capacity as its two closest rivals, Britain and France, put together, according to Gas Infrastructure Europe. Spain also boasts the oldest working terminal in Europe, with its Barcelona facility in operation since 1968. From October next year, LNG traders using Spain’s terminals won’t need so-called bundled deals that oblige them to deliver gas into the nation’s grid. They’ll also be able to tender for space over set periods, a common practice at other European hubs. “LNG storage capacity will be offered as an unbundled service through regular auctions as standard products: yearly, quarterly, monthly, daily and intra-daily,” said Agustin Alonso of Spain’s National Commission of Markets and Competition.

“Users will have to pay the price resulting from the auction for the whole amount of the capacity booked, regardless of whether they use it or not.” It’s a departure from the present system, which is geared toward supplying Spain, the European Union’s sixth-biggest gas user. Daily fees are charged for storage and stiff penalties are imposed for those who exceed set thresholds including how long they hold supplies. Abolishing those penalties will cut about \$0.56/mmbtu from the cost of storing a cargo for a month, according to Energy Aspects. That’s about 10% of the current benchmark rate for LNG in Asia, the biggest user of the fuel. That would be welcome news to LNG traders who this summer and autumn had little choice but to dump cargoes in Spain as a wave of incoming supplies filled Europe’s storage sites. While Spain did import LNG as utilities burned more gas, what traders often need is a place to keep fuel for re-exporting or for use in the future. A reduction in tariffs still needs to be approved by the CNMC. Capacity products will be available from

October 1, and the first auction of the yearly products will take place in September. Spain may still have a way to go to rival the trading hubs of Britain's National Balancing Point and the Title Transfer Facility in the Netherlands.

Both have extensive cross-border pipeline links and liquid trading markets that Spain lacks. "This initiative might increase trading in Spain a little bit but will it make any difference to European gas trading? I doubt it," said Patrick Heather, a senior research fellow at the Oxford Institute for Energy Studies. Even so, the reforms complement plans unveiled earlier this year to treat all of Spain's LNG terminals as a single virtual hub. The aim is to boost trading between the ports and reduce congestion at a particular location. Current rules make traders trade within a specific terminal. "Storing at onshore LNG terminals in Spain is to become more competitive than floating storage," Energy Aspects' Fernandez Diaz said. "The creation of the virtual LNG hub will abolish costly penalties for storing LNG."

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**Measuring  
Democratically**

**Growth**



or decades, gross domestic product has captured the attention of economists and policymakers around the world, offering a single, simple proxy for economic growth. Yet for all of its convenience, it is a poor proxy for human progress, and could easily be improved with a complementary metric that weighs citizens more equally.

WASHINGTON, DC – Abhijit Banerjee and Esther Duflo, two of this year's recipients of the Nobel Memorial Prize in Economic Sciences, are the latest among leading economists to remind us that gross domestic product is an imperfect measure of human welfare. The Human Development Index, published by the United Nations Development Programme, aggregates indicators of life expectancy, education, and *per capita* income and has long been available as an alternative to *per capita* income alone. In 2008, Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi outlined the many failures of GDP for the French government-sponsored Commission on the Measurement of Economic Performance and Social Progress. Subsequent OECD-sponsored work elaborated on their findings, and related research by the Brookings Institution's Carol Graham (on subjective wellbeing) and Duke University's Matthew Adler (on the measurement of social welfare) has received well-deserved acclaim.

Nonetheless, GDP continues to reign supreme in the halls of power. Policymakers around the world are constantly awaiting the latest quarterly data on GDP growth, and variations of one-tenth of a percentage point are regarded as significant indicators of macroeconomic performance. The International Monetary Fund's *World Economic Outlook* may include in-depth analysis across a wide range of topics, but it always starts with GDP.

To see why treating GDP growth as a proxy for progress even in terms of income alone is highly problematic, consider the case of a country with ten citizens and a GDP of \$190, where nine citizens start with \$10 each and the tenth citizen starts with \$100. (Moreover, assume that GDP is equal to national income, so that net factor income from abroad is zero.)

Now, imagine that the first nine citizens experience no income growth in a given year, while the tenth enjoys a 10% increase. GDP will have increased from \$190 to \$200, implying an annual growth rate of approximately 5.26%. This is reflected in the usual way national income is computed. Individuals are weighed by their share of total income, and that 5.26% rate represents a weighted average in which the income growth of the tenth citizen counts nine times more than that of each of the other nine citizens.

Contrast this example with one in which the same country uses a "democratically" measured growth rate, weighing each individual equally as a share of the population rather than as a share of total income. Here, the growth rate would reflect the weighted sum of nine 0% growth rates and one 10% growth rate, each weighed at one-tenth, with a resulting total growth rate of 1%.

The weighing of individuals by their share of income is not generally perceived by the public. But this implicit practice is important to point out, because it enshrines the principle of one dollar, one vote, rather than one person, one vote. It

is essential for assessing the total size of a market or the economic “power” of a country, but it does not capture an economy’s performance for its citizens.

This is hardly the only reason why GDP is an inadequate measure of human wellbeing. It also ignores people’s need for respect, dignity, liberty, health, rule of law, community, and a clean environment. But even if all of these other democratic “goods” were satisfied, GDP still would fail as a metric of progress, purely in terms of income alone.

Building on work by the economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, the Center for Equitable Growth has proposed “GDP 2.0,” a metric that would complement existing aggregate GDP reports by disaggregating the income growth of different cross sections of the population (such as income quintiles). Providing this kind of distributional picture regularly would require increased coordination among government departments, as well as some conventions on, for example, how to use tax data to complement the usual national accounts. But conventions are also needed for existing national income accounting.

Provided that distributional data are routinely available, one could compute a growth rate based on the weighted average across each decile of the income distribution, with equal weighting for population, as in the example above. Individuals would still be weighed by their incomes *within* each group (which is why it would be preferable to use deciles rather than quintiles), but the final product would be much closer than current methods to the “democratic” ideal.

One of the main advantages of GDP growth is that it is expressed with a single number, whereas other performance indicators either are presented within dashboards comprising multiple metrics or aggregated in essentially arbitrary ways. The implicit use of income shares as aggregation weights is perfectly appropriate for macroeconomic analysis and is not

arbitrary. The problem arises when GDP becomes a proxy for progress. What we can measure easily and communicate elegantly inevitably determines what we will focus on as a matter of policy. As the Stiglitz-Sen-Fitoussi report put it, "What we measure affects what we do."

Publishing a democratic metric like the growth rate of GDP 2.0 is no pipedream. A GDP growth rate using equal weights for each decile of the population would also produce a *single number* to complement the usual growth rate. True, it still would not capture the substantial differences *within* the top decile in many countries where the top 1% have been gaining disproportionately compared to everyone else. And we still would need other metrics to measure performance in dimensions other than income. But as a single figure published alongside GDP growth, it could go a long way toward changing the dominant conversation about economic performance.