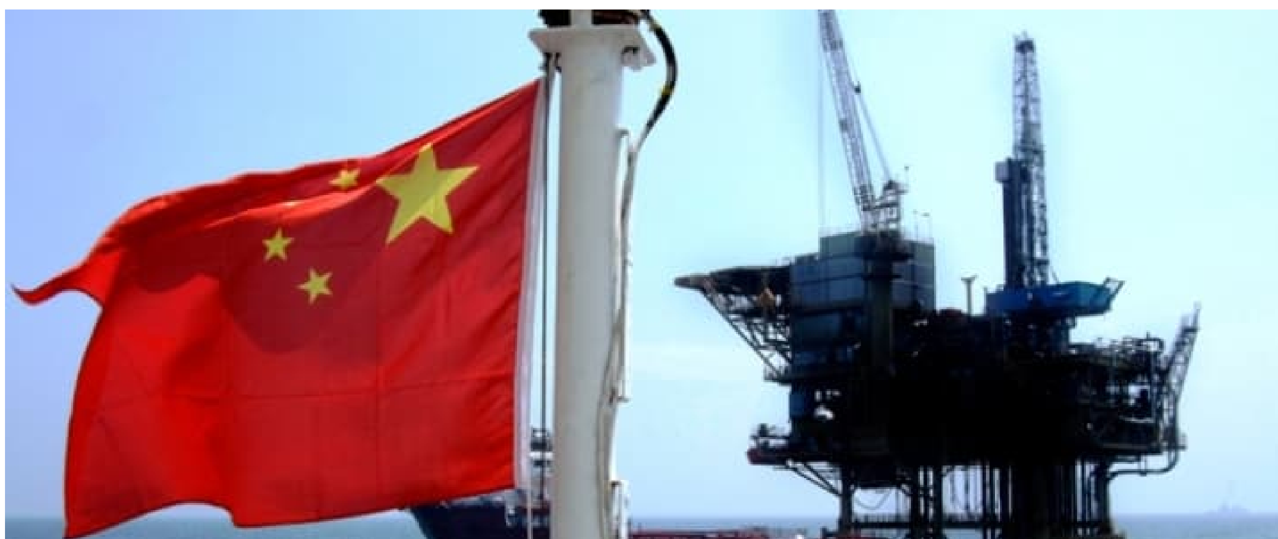
China oil use seen peaking in 2025 as EVs and rail take over



SINGAPORE (Bloomberg) — The country that's driven global oil demand since the turn of the century may hit the brakes sooner than expected as travelers shift toward electric cars or even forgo the open road in favor of trains.

China's oil consumption will peak in 2025, five to eight years earlier than market consensus, according to Morgan Stanley analysts including Andy Meng. The reversal will be driven by a transportation model unique to China: While most countries moving up the economic ladder show continued growth in oil demand from increased driving, mass-adoption of electric vehicles and high-speed rail in China will drastically reduce gasoline use, the bank said.

If the theory plays out, it could signal a huge shift for the oil market, which has relied on China for more than a third of global demand growth since 1999. An expanding body of research is painting a bleak future for oil, as rapid adoption of electric vehicles could mean global demand peaks by the 2030s, according to Bank of America and Royal Dutch Shell, a prospect that's likely to worry energy executives and investors.

“China will no longer be the growth driver of global crude demand,” Meng said in a March 5 report. “We believe the refiners and petroleum stations are the largest potential losers, while the battery companies are likely to become the key winners.”

To be sure, some of the industry’s top prognosticators expect the country’s oil demand to keep growing for years, albeit at a slower pace. The International Energy Agency sees China crude consumption expanding through 2040, while the nation’s largest energy producer China National Petroleum has forecast that gasoline use will peak five years before oil demand does in 2030.

Disruptive Force

China’s electric vehicle penetration will reach 6.4% by the end of the decade and keep rising to 80% by 2040, according to Morgan Stanley, adding that an aggressive push by local battery companies into technology innovation may speed up that timeline.

Meanwhile the country is seeing solid growth in high-speed rail ridership, driven by a well-developed network and severe traffic congestion. Highways’ share of passenger turnover fell to 27% last year from 55% in 2012. In the U.S., the figure was 87% last year, according to Morgan Stanley.

Electric vehicles and high-speed rail are “a disruptive force on China oil demand,” the analysts said. “This pattern has been ignored by most investors in developed markets as there is no such experience from any precedent.”

‘China plans to sustain solar growth with its new policy’

Bloomberg/Beijing

China’s plans to loosen its solar subsidy policy will keep growth of the world’s largest market intact, according to the head of JinkoSolar Holding Co, which is increasing production capacity by as much as 20% this year.
Installations will probably maintain at about 40 gigawatts, close to the levels last year, Chen Kangping, chief executive officer of the world’s largest panel maker, said in an interview in Beijing. China’s main industry group said last month the country is planning more supportive policies, which include resuming quotas for some utility-scale projects.
The views from Chen suggest a brighter outlook for global solar companies reeling from Beijing’s abrupt decision in the middle of 2018 to halt approvals for some projects and reduce subsidies as part of efforts to curb overcapacity.
The move caused China’s solar additions to tumble last year from a record 53 gigawatts in 2017 and spurred predictions in January installations may fall a second year.

"The changes would reflect a maturing of China's solar policy as regulators take more factors into consideration," Chen said Wednesday on the sidelines of the nation's annual parliamentary meeting. "It will help to stabilise the industry and market development."

With the new plan, China Photovoltaic Industry Association said installations could climb in 2019 from 44 gigawatts last year. Citigroup Inc forecast capacity additions of 42 gigawatts, with a potential for a rise to 50 gigawatts.

JinkoSolar will raise panel capacity by 10% to 20% this year from 10.8 gigawatts last year.

Expansion will be in products with more advanced technology and command higher prices, according to Chen.

The supplier will be "cautious" with the rampups, weighing that against sales growth, with output already fully booked for the first half of the year, he said.

India, China to drive natural gas market until 2040: IEF chief

India and China will drive the natural gas market until 2040, International Energy Forum (IEF) secretary general Dr Sun Xiansheng said even as he underlined natural gas’s “critical role in achieving sustainable and inclusive growth”. The two Asian countries will be the major consumers over the next two decades followed by Africa and the Middle East, he said while delivering the second edition of the 2019 series of the Gas Exporting Countries Forum’s (GECF) monthly lecture here yesterday. Indian demand for gas is estimated to grow at 4.9% through 2040 while that of China at 4.7%, Xiansheng said while delivering the lecture entitled “Global Energy Security: The Role of Gas in Sustainable and Inclusive Growth” at the GECF’s headquarters in Doha. Africa’s demand will grow at an estimated 3.3% between now and 2040, while the Middle East at 2% during the period, he said. Demand in the US, the world’s largest economy, will grow at 0.7% through 2040, Xiansheng said. In terms of production, the IEF secretary general noted that Africa will grow at an estimated 3.7% until 2040. Mozambique will drive the African production at 12.2% during the period, he said. The Middle East will follow with a growth rate of 2.2% with Qatar and Iran leading gas production until 2040. In Asia–Pacifi c (2%), Australia and China will be major producers at 3% and 3.9% respectively. In his speech, Xiansheng underlined the critical role of natural gas in achieving sustainable and inclusive growth. This is a fact, he

said, that has been proven by all major forecasting agencies, including Opec and the International Energy Agency. “In fact, the share of gas in the global energy mix will be no less than 25% by 2040,” he noted. The fi gure also corresponds with the fi gures projected in the GECF’s own Global Gas Outlook 2040. “Gas will continue to get momentum as it can be a solution to the Paris Agreement Goals,” Xiansheng stated. Looking at producers, he said several new emerging producers are expected in the market, but Qatar will continue to be a steady producer through the forecasted period. In terms of the consumers, the IEF secretary general mentioned there would be a shift to Asia, with China and India having the fastest growth rate. Xiansheng also called for collaboration in terms of policy and investment decisions and a necessity to develop infrastructure and pricing mechanisms. In order to ultimately reach energy security supply, he stressed that “international and regional energy cooperation is the solution”. This is where he praised the role of the GECF and called for the organisation’s “valued contributions” to the dialogue. In order to enhance this dialogue, the GECF will participate in the ‘9th IEA-IEFOPEC Symposium on energy outlook’ next week, of which the GECF will be the fourth partner. GECF secretary general Dr Yury Sentyurin made introductory remarks. Dr Xiansheng is an accomplished authority not only on energy policy related matters, but has ample industry experience, covering both oil and gas production, trading and pipeline construction, gathered through the various roles he held at China National Petroleum Corporation (CNPC). In his current role as the secretary-general of the IEF, an intergovernmental organisation that aims to foster greater mutual understanding and awareness of common energy interests among its members, he has contributed greatly to the global dialogue on energy. The organisation has some 72 member countries and between themselves account for the bulk of global supply and demand for oil and gas. Considering their similarities and aligned interests, such as encouraging the dialogue between producers and consumers, the GECF and the IEF have been collaborating

for several years, an example of that being their joint work on the Joint Organisations Data Initiative (JODI- Gas). And while the focus of the GECF is on natural gas as the cleanest, most effi cient and most versatile source of energy, similarly to the IEF, it looks at the interrelation between gas and other energy sources as well as the sustainable growth of gas markets. Both organisations are united in their belief that achieving the United Nations Sustainable Development Goals (SDGs) and especially SDG 7 'Ensure access to affordable, reliable, sustainable and modern energy for all' is of prime importance.

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

Reuters /Oslo

Norway's trillion-dollar sovereign wealth fund, the world's biggest, will sell its stakes in oil and gas explorers and producers but still invest in energy firms that have refineries and other downstream activities, according to a government plan.
The proposal announced yesterday said the fund's stakes in integrated companies, such as Royal Dutch Shell, ExxonMobil and other majors involved in everything from exploration to selling fuel at the roadside, would not be sold.
The state, which has built its wealth on the back of North Sea oil and gas reserves, also has no plan to sell its direct stake in Norwegian energy firm Equinor or its direct holdings in Norwegian oil and gas fields.
"The government is proposing to exclude companies classified as exploration and production companies within the energy sector from the (fund) to reduce the aggregate oil price risk in the Norwegian economy," the Finance Ministry said in a statement.
Energy stocks represented 5.9% of the fund's equity investments at the end of 2018, worth about $37bn, fund data showed.
But much of that amount is invested in integrated firms rather than smaller, dedicated explorers and producers.
The fund's shares in the 134 firms to be excluded have a value of about $8bn, the ministry said.
The fund said the shift would affect 1.2% of its equity holdings.
"Exploration and production companies will be phased out from the fund gradually over time," the government proposal said, without giving a timeline for the divestment.
Among the firms affected are Cairn Energy, in which the fund held 1.92% worth $22mn at the end of 2018, Tullow Oil, in which it held 2.1% worth $67mn, and Premier Oil, with 1.8% worth $12mn.
Those stocks would be replaced by investments in other sectors, broadly weighted in proportion under the fund's current mandate, the central bank's deputy governor said in

2017, when the bank made its initial proposal.
The bank manages the fund.
At the end of 2018, the fund’s equity investments were split between the financial sector (23.7%), industrial companies (12.9%), technology (12.6%), consumer goods (11.9%), healthcare (11.4%), consumer services (10.8%), oil and gas (5.9%), basic materials (5.0%), telecoms (3.0%) and utilities (2.8%). The Finance Ministry said the list, based on the FTSE Russell classification, was not final.
For instance, Cheniere, which does not produce oil or gas, but operates gas liquefaction facilities, was featured on the list.
“It will take time to divest from those companies and in the end it could be a different list,” a ministry spokeswoman said.
Parliament, which still needs to approve the proposal, is expected to back the plan as the ruling centre-right coalition has a majority in the assembly.
The news added to pressure on energy companies, whose shares have already slipped due to declining oil prices.
The proposal aims to make Norway’s wealth less vulnerable to a permanent drop in the price of crude, now the fund has increased its exposure to equities to 70% of its value from 60%. The central bank originally suggested excluding all oil and gas companies, including integrated firms.
But the government adjusted the proposal, saying major firms had the scale to shift to renewable energy.
“To exclude all oil companies would limit the fund’s opportunities,” Finance Minister Siv Jensen said.
The decision to keep stakes in integrated firms drew criticism from those who want Norway to shift more decisively away from fossil fuel investments.
Sony Kapoor, managing director of the think tank Redefine, said diluting the central bank’s plan “represents a victory of Big Oil lobbying over financial prudence and common sense”.
Greenpeace campaigner Martin Norman said the government’s decision “does not address Norway’s exposure to oil and we are

not showing the world the way forward”. The opposition Labour Party said it would back the government, even though it argued for a tougher strategy.
“It’s not enough, but we should do this now and then we might see (what to do) in the future,” said Svein Roald Hansen, Labour’s finance spokesman, adding that the state was right to keep its stakes in Equinor and oilfields.
The fund invests Norway’s revenues from oil and gas production for future generations in stocks, bonds and real estate abroad.
Its investments in integrated firms at the end of 2018 included stakes of 2.45% in Shell, 2.31% in BP, 2.02% in Total, 0.99% in Chevron and 0.94% in ExxonMobil.

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

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

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

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

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

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

In the first eight days of March, 18 cargoes were supplied to

China, eight more than in the same period in February, half of which the country was on holiday, Refinitiv Eikon data showed.

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

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

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

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

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

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

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

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

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

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

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

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

however, traders said.

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

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

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

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

Keep politics out of Europe’s competition decisions

Patrick Rey And Jean Tirole /Toulouse

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

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

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

The merger’s advocates dubbed it “Railbus” in an attempt to draw a parallel with the creation of European aircraft

manufacturer Airbus in 1970. But whereas Airbus was a new challenger to Boeing, which had a near-monopoly in the commercial-aviation market at the time, the Alstom-Siemens merger would have reduced the number of players in the European rail industry.

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

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

The new Franco-German proposal would give member states the right to override the Commission's antitrust decisions in "well-defined cases." But national politicians may be tempted to define such cases broadly in support of a favoured merger. Although elected officials should set the EU's competition authorities' overall mandate, enforcement should remain in the hands of the EU Competition Commissioner and the Directorate-General for Competition.

There are several good reasons for this. For starters,

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

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

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

Political frustration at the rejection of a single – albeit high-profile – merger is not a good reason to undermine the EU's long-standing, independent competition authority. Fortunately, there may still be room for industrial policy in Europe, provided this does not involve the traditional French practice of ministers picking winners. A better approach would be an EU-level policy that draws on the successes of countries such as South Korea and the US. In the latter, for example,

the Defence Advanced Research Projects Agency (DARPA), the National Science Foundation, and the National Institutes of Health have all generated twenty-first-century technologies.
Far from conflicting with EU competition policy, such an approach would help to make European industry more productive and globally competitive. That goal requires keeping Europe's national politicians away from day-to-day competition decisions. — Project Syndicate

* Patrick Rey is professor of Economics at the Toulouse School of Economics. Jean Tirole, the 2014 Nobel laureate in economics, is Honorary Chairman of the Toulouse School of Economics.

Exxon Mobil CEO sets plan to boost spending; shares sink

NEW YORK: Exxon Mobil Corp said on Wednesday it plans to open

its wallet and boost spending for several years to restore flagging oil and gas production, but its shares fell as investors were disappointed that the oil company would not tighten spending and send more money back to shareholders.

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

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

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

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

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

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

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

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

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

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

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

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

The company said it expects annual cash flow from operations to reach US$60 billion in 2025, on assumption of US$60 per barrel international oil prices.

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

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

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

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

Read more at https://www.channelnewsasia.com/news/business/exxon-mobil-ceo-sets-plan-to-boost-spending—shares-sink-11318046

The Brexit impasse is a lesson for all

By Emmanuel Macron /Paris

Never, since World War II, has Europe been as essential. Yet never has Europe been in so much danger.
Brexit stands as the symbol of that. It symbolises the crisis of Europe, which has failed to respond to its peoples’ needs for protection from the major shocks of the modern world. It

also symbolises the European trap. That trap is not one of being part of the European Union. The trap is in the lie and the irresponsibility that can destroy it.

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

We have to stand firm, proud and lucid, in the face of this manipulation and say first of all what today's united Europe is. It is a historic success: the reconciliation of a devastated continent in an unprecedented project of peace, prosperity and freedom. We should never forget that. And this project continues to protect us today. What country can act on its own in the face of aggressive strategies by the major powers? Who can claim to be sovereign, on their own, in the face of the digital giants?

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

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

Yet Europe is not just a market. It is a project. A market is

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

Defend our freedom

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

Protect our continent

Founded on internal reconciliation, the EU has forgotten to look at the realities of the world. Yet no community can create a sense of belonging if it does not have bounds that it protects. The boundary is freedom in security. We therefore need to rethink the Schengen area: all those who want to be part of it should comply with obligations of responsibility (stringent border controls) and solidarity (one asylum policy with the same acceptance and refusal rules). We will need a

common border force and a European asylum office, strict control obligations and European solidarity to which each country will contribute under the authority of a European Council for Internal Security. On the issue of migration, I believe in a Europe that protects both its values and its borders.

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

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

Recover the spirit of progress

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

Getting back on track with progress also concerns spearheading the ecological cause. Will we be able to look our children in the eye if we do not also clear our climate debt? The EU needs to set its target – zero carbon by 2050 and pesticides halved

by 2025 – and adapt its policies accordingly with such measures as a European Climate Bank to finance the ecological transition, a European food safety force to improve our food controls and, to counter the lobby threat, independent scientific assessment of substances hazardous to the environment and health. This imperative needs to guide all our action: from the European Central Bank to the European Commission, from the European budget to the Investment Plan for Europe. All our institutions need to have the climate as their mandate.

Progress and freedom are about being able to live from your work: Europe needs to look ahead to create jobs. This is why it needs not only to regulate the global digital giants by putting in place European supervision of the major platforms (prompt penalties for unfair competition, transparent algorithms, etc.), but also to finance innovation by giving the new European Innovation Council a budget on a par with the United States in order to spearhead new technological breakthroughs such as artificial intelligence.

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

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

So, by the end of the year, let’s set up, with the representatives of the European institutions and the member states, a Conference for Europe in order to propose all the changes our political project needs, with an open mind, even to amending the treaties. This conference will need to engage with citizens’ panels and hear academics, business and labour

representatives, and religious and spiritual leaders. It will define a roadmap for the EU that translates these key priorities into concrete actions. There will be disagreement, but is it better to have a static Europe or a Europe that advances, sometimes at different paces, and that is open to all?
In this Europe, the people will really take back control of their future. In this Europe, the United Kingdom, I am sure, will find its true place.
The Brexit impasse is a lesson for us all. We need to escape this trap and make the upcoming European Parliament elections and our project meaningful. It is for Europe's citizens to decide whether Europe and the values of progress that it embodies are to be more than just a passing episode in history. This is the choice I propose: to chart together the road to European renewal. – Project Syndicate

* Emmanuel Macron is President of France.

Exxon Mobil CEO sets plan to boost spending; shares dip

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

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

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

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

Exxon shares finished down 91 cents at $79.28 on Wednesday.

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

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

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

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

BIG BETS ON SHALE

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

The independent oil companies that launched the Permian boom are reducing drilling rigs and cutting spending in response to investor demands to rein in expenses while Exxon and other majors are cranking up investments in the oilfield.

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

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

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

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

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

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

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

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

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

Overcoming the ideology of climate inaction

By Anders Fremstad And Mark Paul Fort Collins/Sarasota

Three years ago, the United States achieved a grim milestone: its first climate refugees. With rising sea levels quickly engulfing the small town of Isle de Jean Charles, Louisiana, the Biloxi-Chitimacha-Choctaw tribespeople who have long called it home were forced to move. In the coming years, hundreds of communities across the US will suffer a similar fate, even if greenhouse-gas (GHG) emissions cease immediately.

Despite the consensus among scientists about the causes and dire consequences of global warming, policymakers continue to turn a deaf ear to warnings of the impending climate crisis. Even before US President Donald Trump withdrew America from the 2015 Paris climate accord, the US had not begun to make sharp emissions reductions. The reason, climate activists

increasingly argue, is capitalism, or more precisely the neoliberal ideology that has dominated economic policymaking in the West for at least 40 years.

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

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

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

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

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

In a Keynesian economic regime, government interventions are regarded as necessary to solve co-ordination problems, which

is precisely what climate change is. Sadly, a brief revival of Keynesian thinking after the 2008 financial crisis was quickly stifled by the politics of austerity across the West, foreclosing efforts to reduce GHG emissions through large public investments in transportation, green public housing, and research and development.

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

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

If the US is to have any chance of reducing emissions in line with what the Intergovernmental Panel on Climate Change recommends, appropriate environmental regulation must be recognised as a complement to large-scale public investments and carbon pricing, not a substitute.

The third way neoliberalism has undermined climate action is by shifting decisions from the federal to the state and local level. While local control is useful in some policy arenas, it has exacerbated the tragedy of the commons with respect to climate change. At the same time that neoliberalism prescribes a carbon price as the solution to climate change, it rejects the centralisation needed to make such a policy actually work.

After all, the chances that all US states will implement a

carbon price are slim to none. The fossil-fuel industry and its lobbyists have long pitted individual US states – as well as individual labour unions and chapters – against one another by promising to create local jobs in fossil-fuel extraction. The industry has also campaigned aggressively against green ballot initiatives at the state and local level, where it can easily outspend the competition.

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

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