Europe’s largest nuclear reactor enters service in Finland

Hours after Germany closed out its atomic era by turning off its last three nuclear reactors, the largest single reactor in Europe entered regular production in Finland, its operator said Sunday.

The next-generation Olkiluoto 3, now producing around 14 percent of the country’s electricity, is expected to remain operational for “at least the next 60 years”, according to the site’s operator TVO.

Germany meanwhile officially ended decades of nuclear energy use by turning off its last three nuclear reactors on Saturday.

The Isar 2 reactor in the southeast of the country, the

Neckarwestheim facility in the southwest and Emsland in the northwest were disconnected from the electricity network before midnight.

Europe's largest economy had been looking to leave behind nuclear power since 2002, but the phase-out was accelerated by former chancellor Angela Merkel in 2011 after the meltdown at the Fukushima nuclear plant in Japan.

In Finland, the European pressurized water reactor (EPR) was meanwhile put into regular service some 18 years after construction on the reactor began, and 14 years after it was originally scheduled to go into commercial production.

After it first reached full power in September last year, it was supposed to enter commercial production in December, but the start was pushed back several times during its testing phase.

'Trump card'

Built by the French-led Areva-Siemens consortium, the reactor was first started up in December 2021 and connected to the Finnish power grid in March last year.

"Test production has been completed and regular electricity production started today," TVO said. "From now on, about 30 percent of Finnish electricity is produced in Olkiluoto," which already had two reactors.

With a capacity of generating 1,600 megawatts, Olkiluoto 3 is the single largest nuclear reactor in Europe, while Ukraine's Zaporizhzhia plant, with its six reactors, is the largest nuclear plant.

Finland had been hoping to rely on the new reactor for its electricity needs earlier this winter, given fears of energy shortages after Russia, a major supplier to Europe, invaded Ukraine and cut off gas exports in response to Western

sanctions.

Jarmo Tanhua, CEO of TVO, in a statement called the “environmentally friendly electricity production” one of Finland’s “top trump cards”.

Safety vs. climate

The EPR was designed to relaunch the European nuclear industry after the Chernobyl catastrophe of 1986, and was touted as offering higher power and better safety.

But several EPR projects have been plagued by delays and billions of dollars in cost overruns.

At the end of last year, France’s state-owned energy group EDF had to announce another six-month delay for a new reactor being built at Flamanville, in northwest France, pushing back its projected start to mid-2024.

Hinkley Point in Britain and the Taishan plant in China have also suffered EPR production setbacks, cost overruns and delays.

The two EPR units in China have already entered commercial production, making Olkiluoto 3 the third to go into operation in the world.

Germany’s decision to end use of nuclear power was popular in a country with a powerful anti-nuclear movement.

But some have criticized how the decision upped the country’s dependence on coal, as it tried to manage an energy crisis caused by the war in Ukraine.

Markus Soeder, the conservative premier of the southern state of Bavaria, called on the federal government to let his state continue using nuclear power.

“As long as the crisis has not ended and the transition to

renewables has not been completed, we must use every form of energy until the end of the decade," Soeder told the Bild am Sonntag on Sunday.

Nuclear technology has also seen renewed popularity as a way to reduce carbon emissions, with the Swedish climate activist Greta Thunberg slamming the German move as "a mistake" if it meant burning more coal.

TVO hailed the Olkiluoto 3 reactor as "Finland's greatest climate act", adding that it would "accelerate the move towards a carbon-neutral society".

In Finland, a poll from May 2022 showed that 60 percent of Finns supported nuclear power.

Qatar LNG fleet expansion underpins domestic expansion of its North Field project, investments in US Gulf Coast: GECF

Qatar’s LNG fleet expansion will underpin its domestic expansion of the North Field project, as well as investments in the Golden Pass LNG terminal in the US Gulf Coast region, Gas Exporting Countries Forum (GECF) has said in a report.

To accomplish this, it has been reported that Qatar has secured booking slots at all of the major South Korean shipbuilding yards over the next five years, for orders of around 100 new carriers, GECF said in the fourth edition of its Annual Gas Market Report.

At the end of 2022, the global LNG carrier fleet stood at 677 vessels.

Although the total has gradually increased, only 28 new vessels were commissioned in 2022. This represented growth of 4%, which was the lowest increase since 2013, it said.

As observed in the recent historical trend since 2010, the years in which there is a sharp increase in the fleet growth rate are typically followed by a drop in the subsequent year.

Accordingly, this was repeated in 2022, with just over 4,600,000 cubic metres of LNG carrier capacity entering into service, merely half of the capacity commissioned in 2021.

Nevertheless, most of these new builds were of the capacity

range between 170,000 and 200,000 cubic metres; in recent years, this new conventional class of carriers has been phasing out the previous standard range of 125,000 to 170,000 cubic metres.

Additionally, around 240,000 cubic metres of “mid-sized” LNG carriers were brought online in 2022.

This, GECF noted, is an “important” growing niche market for LNG transportation, demonstrated by a further 320,000 cubic metres of capacity already confirmed on the global LNG carrier orderbook.

Of the vessels for which the technical specifications are known, around 170 of the new conventional-sized carriers are on order for delivery between 2023 and 2026.

In respect of LNG shipments, GECF noted that in 2022, the number of LNG cargoes traded globally reached 6,210, increasing 2% over the total number of shipments in 2021.

This continued the trend of more cargoes being traded annually in each of the past five years, except during the initial breakout of the pandemic in 2020.

Compared with 2021, the number of LNG shipments per month was greater for most of 2022; over the year, the monthly average number of cargoes was 518 compared with 506 in 2021.

For the fourth consecutive year, Australia delivered the highest number of LNG cargoes.

In 2022, just as in 2021, the US, Qatar, Russia, and Malaysia completed the top five exporters by number of shipments.

The US also had the highest increase in number of cargoes, recording an additional 81 more shipments in 2022 than in 2021.

The second highest increase was attributed to Norway, which loaded 49 cargoes from the restarted Hammerfest LNG terminal since June 2022.

The increasing trend in global LNG shipments is expected to continue in 2023 as per the overall growth in LNG demand. Furthermore, LNG shipping would be boosted by the restart of the Freeport LNG plant in the US, and increased cargo imports in Europe and Asia Pacific.

However, the LNG shipping market may experience tightness due to new IMO regulations in 2023 and further ahead, GECF noted.

Oil and gas investment rise 7% y-o-y to $718bn in 2022; may rise further in 2023: GECF

Oil and gas investment increased by 7% y-o-y to reach $718bn in 2022 and is expected to rise further in 2023, but looming uncertainties may deter investment, the Gas Exporting Countries Forum said in its fourth edition of its Annual Gas Market Report Wednesday.

In 2023, oil and gas investment is expected to rise further, on the back of greater investment in the upstream industry and

LNG import terminals.
However, several looming uncertainties, including a slowdown in global economic growth, tight financial conditions, inflation, and high energy price volatility, may deter investment, GECF noted.
Spot gas and LNG prices in Europe and Asia reached record highs in 2022, with significant volatility throughout the year. This, the report noted, was mainly due to a tight LNG market as Europe's LNG demand surged to replace lower pipeline gas imports.
In 2022, the Title Transfer Facility (TTF) spot gas prices in Europe averaged $38/MMBtu, 136% higher y-o-y, while Northeast Asia (NEA) LNG spot prices averaged $33/MMBtu, a 79% increase y-o-y.
This shift in prices made Europe the premier LNG market for suppliers, as TTF spot prices maintained a high premium over Asian LNG spot prices. In 2023, spot prices are expected to remain volatile.
Factors such as a relatively mild winter, high gas storage levels in Europe, and weakened gas demand growth in the midst of a slowdown in global economic growth may exert downward pressure on spot prices.
However, there may be some upward pressure on spot prices this year due to the anticipated recovery in China's gas demand, higher imports in price-sensitive countries in Asia Pacific, and a rebound in gas demand in the industrial sector.
Additionally, any further supply disruptions or extreme weather conditions during the year may also boost prices, GECF said.
Energy security concerns took precedence over climate change mitigation goals in 2022, with policymakers focusing on meeting the energy needs of their people, the report said.
Following a record rebound in 2021, global gas consumption declined in 2022, but is expected to resume growth in 2023 and reach an all-time high level, with the power generation sector remaining the largest consumer of gas.
US, China, and some emerging countries in Asia Pacific are

forecasted to drive the growth of global gas consumption in 2023, it said.

GECF secretary-general Mohamed Hamel said, “The Annual Gas Market Report is comprehensive and I hope it will become an essential tool for anyone interested in natural gas.”

The publication comes at a time when natural gas markets are undergoing fundamental transformations in terms of physical flows, investment, trade, and market functioning.

“The developments in the gas industry are an indication of the bright prospects for the expansion of the global gas industry, as natural gas is set to play a pivotal role in socio-economic development and towards just and inclusive energy transitions,” Hamel added.

QATARENERGY TO PARTICIPATE IN IRAQ’S GAS GROWTH INTEGRATED PROJECT (GGIP) –

DOHA, Qatar • 5 April 2023 – QatarEnergy has agreed to hold a 25% share in the Gas Growth Integrated Project (GGIP) – a multi-billion-dollar project aimed at monetizing and developing the natural gas resources of the Republic of Iraq.

The GGIP consortium will be composed of Basra Oil Company (30%), TotalEnergies (Operator – 45%), and QatarEnergy (25%), subject to the finalization of necessary contractual arrangements and obtaining customary regulatory approvals.

His Excellency Mr. Saad Sherida Al-Kaabi, the Minister of State for Energy Affairs, the President & CEO of QatarEnergy, said: "We thank TotalEnergies for inviting us to partner with them and we thank the esteemed Iraqi Government for welcoming us to be part of this partnership. We are pleased to be part of this significant development, which is important for Iraq's

energy sector, and we look forward to working with TotalEnergies and Basra Oil Company to progress it to fruition. I would like to express our appreciation to the Government of Iraq for their valuable support to reach this point, and for the trust they have placed in QatarEnergy as a reliable partner.”

Signed in September 2021, the GGIP is a key strategic project that involves investing approximately $10 billion to design and construct facilities for recovering significant volumes of otherwise flared gas throughout the Basra region and supplying such recovered gas to power stations, as well as a seawater treatment and distribution system to supply water for injection into oil reservoirs for pressure maintenance purposes.

With extensive experience in large-scale energy projects, including seawater treatment projects, and a strong international partnership with TotalEnergies, QatarEnergy welcomes this opportunity to participate in such a key project for Iraq and its people.

Biden’s Landmark Climate Bill Lures China’s Clean Energy Giants

hina’s leading renewables firms are joining the rush to open factories in the US after Washington passed a landmark climate bill that supports local clean energy manufacturing.

Some of the nation’s top solar panel makers are involved in setting up American plants, while the Chinese company that makes the world’s largest wind turbine, Ming Yang Smart Energy Group Ltd., is exploring whether to establish production and research facilities there.

The building boom underscores how the US has rebuilt its credentials as a cleantech manufacturing hub after last year’s Inflation Reduction Act. The bill, a signature achievement for the Biden administration, includes $374 billion in new climate-related spending. That’s drawn the attention of China’s world-leading renewables industry despite deepening tensions between the two governments.

“The US is working on low-carbon, green development, has

plans, and has introduced many good policies and mechanisms — it is very attractive," Ming Yang Chairman Zhang Chuanwei said in an interview last week at the Boao Forum for Asia on the island of Hainan, an event dubbed as China's version of Davos.

The company hasn't announced any US plans yet, but three of its clean energy peers are in the process of building their presence there: JA Solar Technology Co. in Arizona, Longi Green Energy Technology Co. in Ohio, and Jinko Solar Co. in Florida.

Chinese solar firms dominate global panel production, but have been stymied from shipping to the US because of a series of trade disputes and allegations of human rights abuses, which China has denied. Some of the firms have moved to expand exports from plants in southeast Asia to navigate curbs on US trade.

Biden's climate policy is designed to boost domestic cleantech industries and reduce America's reliance on imports. The bill extends to encouraging foreign firms to set up shop in the US, sparking a wave of new factory announcements since it was passed in August. But Chinese companies have been reticent about publicizing their investments.

That's due to Washington's increasingly adversarial approach to Chinese firms, according to Li Junfeng, managing director of the China Energy Research Society, a government-affiliated think tank. He cited the scrutiny faced by battery maker Contemporary Amperex Technology Co. over its recent tie-up with Ford Motor Co., as well as the furor linked to national security concerns that has erupted over social-media platform TikTok.

That's left Chinese companies fearing they won't get the same treatment as their South Korean or European counterparts, Li said.

"It isn't enough for the US to just introduce the IRA bill. It

needs to give a clear expectation that companies will be treated equally," he said. "If one day it says that solar panels are also national security issues, we won't be able to talk reasonably anymore."

Cleantech is assuming a strategic importance as it becomes the world's biggest source of new energy. China's advantage means that governments elsewhere are trying to chip away at its dominance by carving out their own supply chains. But Beijing is fighting its corner, albeit in ways that could undercut the industry's pleas for fair treatment from US authorities.

The Chinese government has launched its own probe of the CATL-Ford deal, to ensure the battery giant's core technology isn't handed over to the US carmaker. It's also considering an export ban that would help maintain its substantial lead in solar manufacturing.

Li said the proposed solar ban is only a draft, and has met objections from some companies. China has spent over 20 years building the world's best solar industry, but it needs to balance local manufacturing capabilities with maintaining a robust global supply chain, he said.

China is scared of being cut off from key technologies, but other countries have the same fear, Li said. One answer is to "encourage Chinese companies to build factories abroad."

Trade Barriers

Trade barriers in countries such as the US and India are raising the cost of clean energy, Gao Jifan, chairman of another Chinese firm, Trina Solar Co., told a panel at the Boao Forum. "We should build a mechanism that makes everybody feel safe, instead of building barriers," he said.

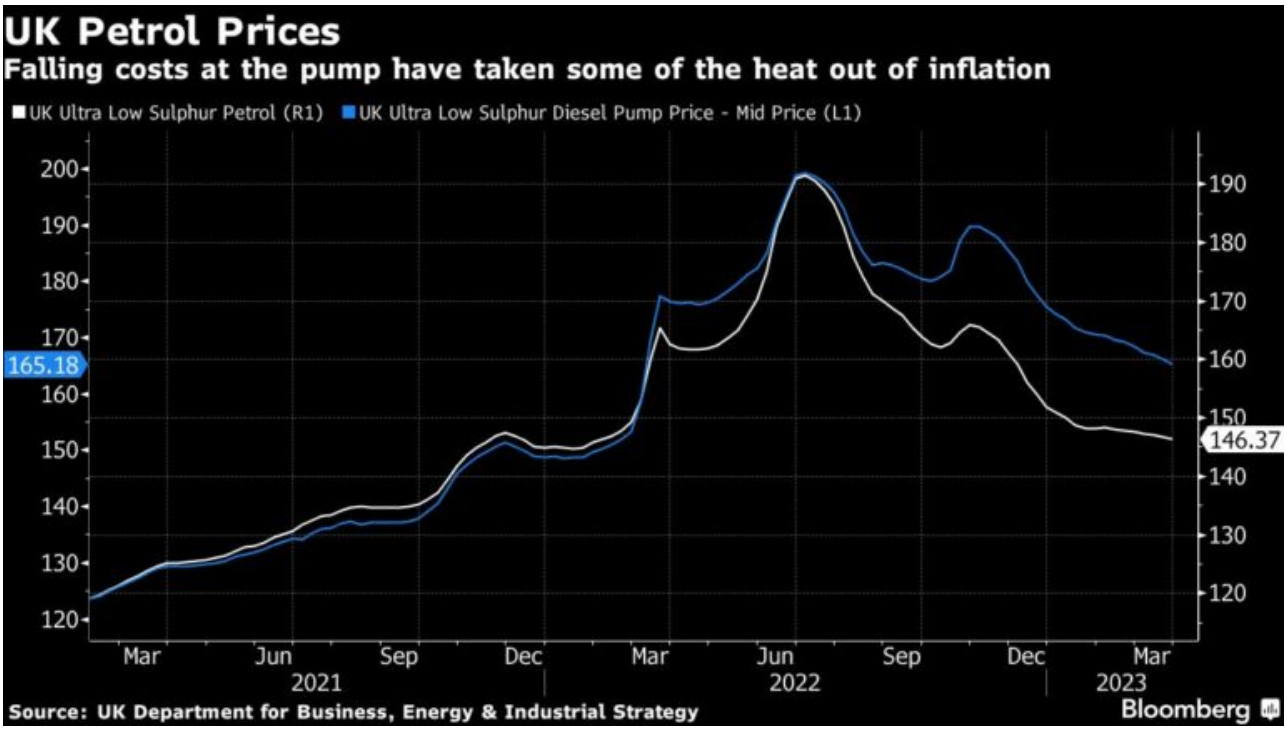
Clean energy equipment should be manufactured where the cost is lowest, and it should be traded around the globe without any obstacles, Gao said. Trina is also willing to build

manufacturing capacity in the US, as well as Europe given the supportive policies there, he said.

Ming Yang's Zhang said the company could buy parts and equipment from local firms if it does decide to set up in America. And the nation's infamously hurricane-prone coastal areas will also benefit from deploying its turbines because they're designed to resist extreme winds.

"The US, like China, is a massive renewable energy market," he said. "We are willing to enter the US, and we hope that the US will create a fair, inclusive, and predictable environment."

Oil Price Jolt Compounds Inflation Puzzle for Central Banks



Central bankers who spent past weeks puzzling over how

financial turmoil will impact their outlook now have a jolt in the form of higher oil prices to contend with.

The surprise production cut announced by OPEC+ on Sunday spurred oil traders to speculate $100 a barrel crude could be back on the horizon. In New York, oil was trading over $80 Monday morning.

For officials in Frankfurt, London and Washington who have been focused on core inflation rates — stripped of energy and food — higher oil costs could put renewed pressure on headline prices. That would serve as a reminder of the risk that high overall inflation rates get embedded in households' expectations, forcing even more monetary policy tightening.

At the same time, production announcements such as Sunday's can sometimes have limited lasting effects. For his part, Federal Reserve Bank of St. Louis President James Bullard said Monday that he'd already expected higher oil prices, given China's reopening, Europe's skirting of a recession and continued strong US data.

"This was a surprise, the OPEC decision, but whether it will have a lasting impact I think is an open question," Bullard said in an interview with Bloomberg Television. Some oil-price fluctuation "might feed into inflation, and make our job a little bit more difficult," he added.

European Central Bank Governing Council member Gediminas Simkus said Monday that "there are more factors there than the OPEC+ decisions."

"In the context of interest rates, general trends are most important. In the last reading, we saw core inflation grew," Simkus said.

OPEC's decision marks the third Monday in less than a month when global monetary officials have woken up to a new headache, with episodes of market turmoil following the

collapse of Silicon Valley Bank and the forced takeover of Credit Suisse Group AG each having threatened to derail interest-rate hiking plans.

This time, the news adds to the case for institutions from the Federal Reserve to the Bank of England and ECB to stay the course on their monetary-tightening plans, with inflation rates still well above targets.

With fears of a full-blown financial crisis fading last week, money markets were already starting to reprice for more tightening. The oil-production news spurred such moves Monday.

Interest-rate futures suggest about a 65% chance of a quarter-point Fed hike in May, compared with roughly 58% late Friday.

In Europe, the latest readings had shown headline inflation coming down, thanks to energy, with more concerning signs of elevated price increases in the services sector.

Fed Chair Jerome Powell has emphasized the importance of core services inflation excluding housing, which US central bankers see as particularly influenced by the tight labor market.

Data due on Friday on employment and wage costs in America were already set to be a key focus in setting expectations for the Fed's next policy decision, on May 3.

To the extent that the OPEC+ production cut proves to have a lasting impact — feeding through to gasoline prices ahead of the summer driving season — that could strengthen job-seekers' wage demands, adding to central bankers' concerns.

"At the margin, this is a small negative as it will bump up inflation," said Stephen Stanley, chief US economist at Santander US Capital Markets LLC. "But the Fed typically likes to look through oil price shocks, so the impact on policy is likely to be quite small."

Another consideration for policymakers: higher energy costs

would pose a hit to household budgets for spending on other items, such as travel and dining out. Amid a likely tightening in the availability in credit thanks to the recent banking turmoil, that would be another restraint on the economic outlook.

“Higher oil prices in the near term give the Fed more anxiety about inflation expectations,” said Derek Tang, an economist at LH Meyer/Monetary Policy Analytics in Washington. “But over the medium term, if oil prices stay high, it’s a drag on growth and employment,” he said. So for policy interest rates, “the impact might be a higher peak but quicker reversal.”

In any case, given the moves already taken by central banks since last year, rate-hiking cycles are seen closer to the end than the start at this point.

“With the rapid rate rises since mid-2022, the ECB, Fed and BOE have now largely got on top of their inflation problems,” said Michael Saunders, a former UK policymaker who is now at Oxford Economics. “At this stage, this rise in oil prices does not alter that view.”

Opec+ cuts set to tighten Mideast crude supply to Asia and Europe

Middle East crude oil supplies are set to tighten further from May after Opec+ announced plans to cut output again, raising costs for refiners from Asia to Europe and pushing them to seek more supply from Russia, Africa and the Americas.

Oil prices jumped more than $4 a barrel on Monday after the Organisation of the Petroleum Exporting Countries and their allies including Russia surprised markets by announcing production cuts of about 1.16mn barrels per day (bpd) from May through the rest of the year.

The pledges will bring the total volume of cuts by the group known as Opec+ since November to 3.66mn bpd according to Reuters calculations, equal to 3.7% of global demand.

Opec+ had been expected to hold output steady through the end of this year, having cut output by 2mn bpd in November last year.

An official at a South Korean refiner said the cut was “bad news” for oil buyers and Opec was seeking to “protect their profit” against concerns of a global economic slowdown.

The supply cut would drive up crude prices just as weakening economies depress fuel demand and prices, squeezing refiners’

profits, the South Korean refining official and a Chinese trader said.
Both declined to be identified as they were not authorised to speak to media.
Tighter Opec+ crude supply will be negative for Japan as it may further boost inflation and weaken its economy, Takayuki Honma, chief economist at Sumitomo Corp Global Research, said.
“Producing countries apparently want to see oil prices rise to $90-$100/bbl, but higher oil prices also mean higher risk of economic downturn and sluggish demand,” he added.
The Opec+ production cuts come as purchases by China, the world’s top crude importer, are expected to hit a record in 2023 as it recovers from the Covid-19 pandemic, while consumption from No 3 importer India remains robust, traders said.
At the same time, European refiners’ demand for Middle East crude has risen – especially for Basrah Heavy and Oman crudes – to replace Russian oil banned by the European Union since December, traders and an Indian refining official said.
“Now they’ll face the heat,” he said, predicting the market will become “very tight”.
Kuwait has already notified buyers it will cut exports to keep more crude for its Al Zour refinery, and Saudi Aramco is ramping up operations at its Jizan refinery.
Top exporter Saudi Aramco, which had been expected to cut official selling prices for term oil sales to Asia in May, may now decide to raise prices instead, traders said.
With higher prices and less supply of Middle East sour crude, China and India may be pushed to buy more Russian oil, boosting revenue for Moscow, said the Indian refining official, who declined to be named as he was not authorised to speak to media.
The rise in Brent prices could push Urals and other Russian oil products to prices above the caps set by the Group of Seven Nations (G7) aimed at curbing Moscow’s oil revenues, he said.
While traders and analysts had expected crude to be in surplus

in the second quarter with Asian refineries down for maintenance and French refineries shut due to strikes, they now expect the Opec+ cuts to tighten markets ahead of summer, the high-demand season.

The Opec cuts would help soak up the excess volumes in the west, said a Chinese refining source. Refiners in Japan and South Korea said they are not considering taking Russian barrels due to geopolitical concerns and may look for alternative supply from Africa and Latin America.

“Japan could seek more supply from the United States, but bringing the US oil through the Panama Canal is expensive,” Sumitomo’s Honma said.

Traders are also watching for responses from the United States, which called Opec+’s move inadvisable.

“In essence, the purpose of this massive surprise production cut is mainly to regain market pricing power,” the Chinese trader said.

New Opec cuts to tighten markets, widen oil market deficit in H2: Emirates NBD

New Opec cuts may tighten markets considerably and widen the oil market deficit in the second half of this year, Emirates NBD said Monday.

The regional banking group forecasts Brent to average $92.50/barrel in H2, 2023.

Some members of Opec+ have announced a “surprise” production cut to take effect from May and be held until the end of the year. Saudi Arabia will cut output by 500,000 barrels per day (bpd) while several other members will also cut output substantially.

The UAE will cut by 144,000 bpd, Iraq by 211,000 bpd and Kuwait will cut output by 128,000 bpd.

The production changes will mirror “voluntary” cuts of 500,000 bpd that Russia is making in response to sanctions that have been placed on its oil exports.

“Including Russia’s cuts, the total reduction from Opec+ will be about 1.6mn bpd though as several members of Opec are already failing to hit their output targets, the scale of the cut is likely to be smaller,” Emirates NBD said in a report.

“The move surprised markets and analyst consensus. Our own expectation was that Opec+ would keep production unchanged from the levels it set in October last year when it also implemented a supply cut,” Emirates NBD noted.

As recently as February this year, Prince Abdulaziz bin Salman, Saudi Arabia's energy minister, said that the "agreement that we struck in October is here to stay for the rest of the year," referring to planned cuts of 2mn bpd announced in October last year.

Since then, financial markets have endured considerable stress due to the collapse of several institutions in the US along with the descent of Credit Suisse.

That strain in financial markets did spill over into oil prices – West Texas Intermediate (WTI) futures recently hit a bottom of $64/b on March 20 – though prices were already on their way higher with WTI ending last week at $75.67/b.

The announced cuts from several Opec members will widen the oil market deficit in the second half of 2023, provided they are held for the full tenure of the agreement.

"Our prior oil market balance assumptions had a deficit emerging in H2 this year as demand was set to recover strongly from Q2 onward as China's oil demand normalised. With the new cuts from Opec+ taken into the baseline, the deficit will near on 3m b/d by Q4 this year and drain inventories down to 53 days of OECD demand. The pre-pandemic average for inventory days of demand had been about 62 days so the cuts will have a meaningful tightening effect on balances," noted Edward Bell, senior director, Market Economics at Emirates NBD.

The cuts from Opec+ ministers reinforce Emirates NBD's view that oil prices will recover from recent lows, particularly in H2.

"For now, we hold our recently revised oil forecasts unchanged – targeting Brent at an average of $92.50/b in H2 – though the cuts do provide some upside risks to that view," he said.

The World’s Most Important Oil Price Is About to Change for Good

After years of wrangling, the world’s most important oil price is about to be transformed for good, allowing crude supplies from west Texas to help determine the price of millions of barrels a day of petroleum transactions.

The shift is because the existing benchmark, Dated Brent, is slowly running out of tradable oil for it to remain reliable. As such, its publisher S&P Global Commodity Insights — better known by traders as Platts — has been forced to make a dramatic overhaul.

Its switchover was fraught with controversy and caused a lot of stress among physical oil traders. But it was necessary. BP Plc at one stage said that Dated Brent was subject to “increasingly regular dislocations.”

But the future of Dated is now set. From cargoes for June onward, West Texas Intermediate Midland, oil from the Permian

will become one of a handful of grades that set the Dated benchmark.

Here’s a look at what matters as the transition gets closer.

1. Why does it matter?

Dated, as it’s commonly known by oil traders, helps to set the price of about two-thirds of the world’s oil and even defines the price of some gas deals.

Oil producing states will often sell their barrels at small premiums or discounts to Dated, so the precise mechanics of how it is formed matter to them. In addition, the benchmark lies at the center of a complex web of derivatives, ultimately shaping Brent oil futures that get traded on exchanges.

Dated affects a host of oil prices, so even crude in Dubai could feel the effects, according to Adi Imsirovic, a veteran oil trader and senior research fellow at the Oxford Institute for Energy Studies.

2. Exactly what’s happening?

Traders will be able to offer WTI Midland for sale from the US Gulf Coast. It will be delivered into Rotterdam and then price will be netted back using a freight adjustment factor as if it’s shipped from the North Sea.

By following a careful process, Platts will evaluate if the oil is being offered at a higher or lower level than five existing grades that set Dated — Brent, Forties, Oseberg, Ekofisk or Troll.

If Platts judges that WTI Midland is the most competitive price on offer — or actually sold — then it could set Dated.

So WTI Midland might then influence the price a seller of an Atlantic Basin barrel charges a refinery in China.

3. How will price discovery work?

Imagine the existing Dated grades, which go under the acronym BFOET, are at $80 a barrel.

A trader might pick up a cargo of WTI Midland at $79 from a terminal the US Gulf with $2 added delivery cost to Rotterdam – more than 6,000 miles and around 17 days sailing away.

Platts would need to make that delivered cargo like-for-like against the existing BFOET grades, which are transacted on a so-called Free on Board, or FOB, basis in the North Sea.

To do that, it will use what it calls a freight adjustment factor, deducting the estimated cost of transportation across the North Sea to Rotterdam. If that were to be $1 a barrel, then the implied FOB price of WTI Midland in the North Sea would be about $80.

The process will place an emphasis on Platts's assessments of tanker costs.

4. What's the timeline?

Some changes are already getting underway. In February, Platts began assessing forward prices based on the new assessment. Real cargoes of crude from the US will be allowed for inclusion from early May.

The expiry of the May Brent futures contract at end-March will rely on some trades of a June Brent exchange of futures for physical contract, which will take the changes into account.

Those key derivatives tools, along with the futures market, will determine the basis price of physical Dated Brent for June.

An important detail in the coming weeks is just how much trading of forward Dated Brent will pick up. So far, twelve

entities have conducted transactions based on the new terms, according to Platts.

Ultimately these deals will define something called the Brent Index, a once-a-month price published by ICE Futures Europe that's used for the cash settlement of futures.

"Without a forward market, there's no way to financially settle the ICE Brent contract," said Kurt Chapman, a veteran oil trader and ex-head of crude at Mercuria Energy Group, who retired in 2018 after almost three decades on the front lines of global oil trading.

5. Will the Dated be better?

Assuming traders take to the adjustments, it will be transformative in terms of the underlying volume of oil that can be transacted.

In March alone, around 60 tankers hauling around 1.8 million barrels a day of oil were expected to arrive in Europe, the highest since 2016, according to data compiled by Bloomberg.

Something like 1 million barrels a day of WTI Midland will theoretically be eligible for inclusion in Dated, although the volumes may be marginal until the trading of new Dated picks up.

6. What are the main concerns?

No two crudes are identical and eventually Platts will have to evaluate precisely how WTI Midland compares with other grades within BFOET.

Some say it is superior because of its density and sulfur levels.

However, some European traders have also expressed worries that the properties of WTI Midland cargoes may not match up to

what was stipulated when it traded. That's because WTI is actually a blend of different crudes.

It would be a problem if a cargo of oil – bought or sold with a view to setting a global benchmark underpinning prices globally – were found to have a flaw.

US terminal operators say there's not much to be concerned about. They say that the 11 terminals approved by Platts that will send crude are all able to assure consistently high quality to suit Dated.

Another issue is the cargo sizes that will be allowed to be included. At 700,000 barrels, they do not match up to the reality of current oil trading of US oil.

There has been a flood of supertankers bringing 2-million-barrel cargoes across the Atlantic. Those wouldn't qualify for inclusion in setting the Dated.

Finally, the BFOET grades all come with their own loading programs with each consignment given its own unique identifier. That gives traders clear visibility on the supply of oil. That's not yet the case for WTI Midland and could cause some uncertainty about how many cargoes are being offered.

– With assistance by Sherry Su and Sheela Tobben

The High Cost of Carbon Pricing

Amid the growing enthusiasm for carbon border taxes, Western policymakers have largely ignored the negative impact on the world's poorest countries. For carbon-pricing policies to succeed, developed countries must show their commitment to shared prosperity by enabling knowledge-sharing and fostering equitable climate finance.

NEW DELHI – Carbon pricing is all the rage these days, at least in the developed world. But while global leaders and experts – most of them from rich countries – increasingly embrace the idea of putting the "right price" on carbon, the concept remains vague and ill-defined. Worse, its growing acceptance and increasingly protectionist bent may have the perverse effect of impeding efforts to decarbonize the global economy.

The idea of carbon pricing seems like a no-brainer. Meeting even the least ambitious climate goals requires decarbonizing developed and developing economies alike. Changing the relative prices of carbon-intensive activities would encourage investors to finance renewable sources of energy and the technological innovation needed to achieve net-zero emissions.

Fossil fuels account for most of the world's greenhouse-gas emissions, so hydrocarbons seem like a good place to start.

But how? Should policymakers consider the relative price of fossil fuels, or production based on consuming them?

The two most commonly discussed forms of carbon pricing — cap-and-trade schemes and carbon taxes — are based on the carbon intensity of production. A cap-and-trade system is designed to limit greenhouse-gas emissions by dividing the total target amount into allowances that can be traded among high and low emitters. While this supposedly establishes a market price for carbon dioxide emissions, it does not consider their negative social and environmental externalities. A carbon tax, by contrast, sets a price on carbon by taxing emissions-heavy activities.

But these two models reflect a very narrow (and possibly even distorted) view of how carbon should be priced into the economic system. A 2017 report by the High-Level Commission on Carbon Prices, chaired by Joseph E. Stiglitz and Nicholas Stern, provided a much more nuanced analysis. In addition to cap-and-trade and carbon taxes, the report recommended reducing or eliminating fossil-fuel subsidies and creating new financial incentives for low-carbon projects; offsetting the negative distributional impact of carbon pricing by using the proceeds to finance policies to protect poor and vulnerable populations; and complementary policies, such as investment in public transport and renewable power. Perhaps most important, the authors noted, countries must be able to choose instruments that fit their specific circumstances, resources, and needs.

Amid the growing enthusiasm for carbon pricing and border adjustment measures, policymakers and experts have largely ignored these points. The European Union's Carbon Border Adjustment Mechanism is a case in point. When the CBAM takes effect in October, it will impose a tax on carbon-intensive imports in order to "put a fair price on the carbon emitted during the production of carbon-intensive goods that are entering the EU" and to "encourage cleaner industrial

production in non-EU countries” (emphasis added).

The CBAM will initially apply to imports of cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen. At first, firms will simply have to report the (direct and indirect) emissions embedded in the goods they import. But, beginning in 2026, the EU will impose tariffs on these emissions based on the weekly average auction price of cap-and-trade allowances.

The stated purpose of this measure is to eliminate so-called “carbon leakage” and ensure that the EU’s climate efforts are not undermined by production moving to countries with lower emission standards. Effectively, it protects European firms from competitors in such countries.

By taxing imports to the EU, the CBAM imposes on exporters in other countries the nearly impossible task of measuring emissions. Most developing countries (and many developed ones) lack granular data on firm-specific emissions, not to mention the ability to track the emissions of all the inputs used. Even if such data were available, the costs of collecting and analyzing it over time would be enormous. As the United Nations Conference on Trade and Development noted in 2021, the CBAM attempts “to impose on developing countries the environmental standards that developed countries are choosing.”

The EU wants to be viewed as a global leader on climate change, but it is difficult to see the CBAM as anything but a protectionist device. While the CBAM purports to encourage countries outside the bloc to reduce emissions by imposing their own carbon taxes, the EU has done nothing to help exporting countries attract new green investment or gain access to new technologies. In fact, it has persistently reneged on its (paltry) promises on climate finance and the commitments European leaders made as part of the 1992 Rio Agreement, restricting access to green

technologies controlled by EU-based companies.

For decades, advanced economies have exported their emissions to developing countries by offshoring carbon-intensive production and then importing those goods. Now that greener technologies are available to (and largely controlled by) Western companies, developed countries promote reshoring without sharing knowledge or finance, thereby undermining low- and middle-income countries' economic prospects and ability to achieve a green transition.

In February, Republican US Senator Bill Cassidy said he would unveil an emissions tariff bill in the coming months, following similar proposals by Senate Democrats. Meanwhile, lawmakers on both sides of the Atlantic have done little to limit fossil-fuel production and trade – by far the biggest sources of CO2 emissions. The CBAM does not cover trade in fossil fuels, and neither would the proposed tariffs in the United States. If decarbonization is the real goal, rather than protecting domestic industries, then regulation and reducing direct and indirect fossil-fuel subsidies are far more promising policies.

For carbon pricing to succeed, developed countries must demonstrate their commitment to shared prosperity by enabling knowledge-sharing and fostering equitable climate finance. If they continue to focus on border taxes on goods produced (mostly) in developing countries, their carbon-pricing efforts will fail. Worse, they will exacerbate global inequality and reinforce the perception that all their lofty rhetoric about the need for international cooperation to fight climate change is merely a fig leaf for cynical and self-serving policies.