

# Is Putin's war driving up commodity prices?



By Daniel Gros/ Florence

- **Understanding why prices are high is essential to devise the right policy response**

Sky-high commodity prices have the world reeling. Inflation has reached 7% in both the United States and in Europe – a level unseen for decades – with European consumers facing losses of purchasing power equivalent to those caused by the oil shocks of the 1970s. The economic recovery from the pandemic is now at risk of stalling, and the spectre of stagflation looms over developed countries from the European Union to Japan.

One might assume that Russian President Vladimir Putin's war in Ukraine is the primary cause of spiking energy and commodity prices. Russia is, after all, the world's largest exporter of oil and petroleum products, and, together with Ukraine, it accounts for a third of global wheat and barley exports. But there are two compelling reasons to doubt this

explanation.

First, the war has not led to large-scale interruptions in the supply of oil, gas, or other important commodities (at least not yet). Of course, the mere expectation in markets that a shortage is imminent can be enough to drive up prices. But such an expectation so far seems to have little basis.

Yes, wheat deliveries from Ukraine have been halted, and this year's harvest is in doubt, because Ukrainian farmers cannot work their fields. But Ukraine produces only about 3% of the world's wheat. Russia, meanwhile, produces 11%, and both production and exports remain uninterrupted. Moreover, while Russia has threatened to cut off gas supplies to "hostile countries" unless they pay in roubles – an ultimatum Europe has so far rejected – there is little indication that Russian oil or other commodities will be withdrawn from the market. For most commodities, the war should not affect supply.

A second reason to doubt that the war is responsible for today's high commodity prices is that most of the price increase happened before the invasion. The International Monetary Fund's commodity-price index remains below its 2008 peak, standing close to levels seen in 2012-13. And spot prices for gas are in line with their "pre-war" level from the end of last year, when few expected a full-scale invasion of Ukraine.

While oil prices have risen since the start of the war, the increase has been a modest 20%. Although natural-gas prices have been attracting more attention, because they directly affect household heating bills, oil prices are much more important for Europe, because the value of its oil imports is traditionally about five times higher.

If the Ukraine war is not to blame for high energy and commodity prices, what is? One contributing factor might be what economists call the "hog cycle." The term stems from a phenomenon observed in the Danish hog industry: farmers would rear more animals when prices were high, thereby producing a glut, which reduced prices the following year, causing farmers to rear fewer animals, which then sold for higher prices.

Likewise, when commodity prices are high, there is a larger incentive to invest in exploration and mining. But when they are relatively low – as they have been in recent years – the profitability of such investment declines, leading to reduced production and higher prices in later years. And, indeed, the International Energy Agency has provided powerful evidence that years of under-investment in exploration have reduced production capacity.

The fall in demand in 2020, caused by the Covid-19 recession, masked this development. But when Europe, Asia, and the US began to recover strongly, there was not enough spare capacity to meet rising demand. This put upward pressure on prices throughout 2021.

Another factor contributing to high energy and commodity prices might have been the rise of environmental, social, and governance (ESG) investing, which has increasingly led investors to refuse to finance fossil-fuel exploration and development. They hope that denying the fossil-fuel industry capital will discourage production and spur progress toward a green economy based on carbon neutrality.

This phenomenon has been concentrated in the West. While upstream investment by the major Western oil and gas firms fell by nearly half between 2015 and 2020, such investment remained stable among Middle Eastern producers and rose in China. All of these producers have the same price incentives, but Western firms are the ones that are subject to ESG guidelines.

Understanding why prices are high is essential to devise the right policy response. If the war was responsible for high prices, it would be politically difficult to refuse price caps and generous compensation to help consumers and enterprises cope. Moreover, one could hope that prices would fall when the war ends.

But if high commodity prices are the result of a hog cycle and ESG pressures, they are sending an appropriate signal to markets; in fact, ESG rules are supposed to lead to higher prices. In this case, the economy needs to adjust to a new

level of scarcity – and consumers should not be compensated for their lost purchasing power.

Of course, these explanations are not mutually exclusive; all three factors – the hog cycle, ESG standards, and the war – are probably contributing to higher commodity prices. But price trends before the invasion suggest that the war is a minor factor.

This is not the most politically convenient explanation: if the war is the culprit, it absolves consumers and government of the responsibility to adjust, with the former receiving compensation and the latter running higher fiscal deficits. But it is the more economically sound explanation, and thus the one that should dictate a responsible policy response, despite the pain that adjustment might bring. – Project Syndicate

• *Daniel Gros is a member of the board and a distinguished fellow at the Centre for European Policy Studies.*

---

## **US and EU reach LNG supply deal to cut dependence on Russia**



## Bloomberg / Brussels

The US and the European Union will push to boost supplies of liquefied natural gas to European countries by the end of 2022 in a bid to displace Russian gas, a political framework that now leaves companies to sort out the details.

Under the agreement, Europe will get at least 15bn cubic metres of additional LNG supplies by the end of the year, though it's not clear where it will come from. Member states will also work to ensure demand for 50bn cubic metres of American fuel until at least 2030. The aim is to work with international partners to help the continent wean itself off Russian gas, which accounts for about 40% of Europe's needs.

"We're coming together to reduce Europe's dependence on Russian energy," US President Joe Biden said at a joint press conference with European Commission President Ursula von der Leyen, who added that 15bn cubic metres this year "is a big step in that direction."

Europe is trying to diversify its energy sources in a bid to starve Russia of the revenues it needs to fund the war in Ukraine. But that's a mammoth task. Russia ships about 150bn cubic metres of gas to Europe via pipelines every year, and another 14bn to 18bn cubic metres of LNG. That means any

disruptions to flows of pipeline gas from Russia would hard to cope with.

“It’s a start, but relatively small compared to the overall supplies from Russia,” said Jonathan Stern, a research fellow at the Oxford Institute for Energy Studies. “All contributions will be welcome but the task is huge.”

The issue is critical as Russia is the EU’s biggest gas supplier. The EU also relies on the country for the biggest share of its coal and oil imports, and has struggled to shift its energy policy away from Moscow. The details of how the plan works is now in the hands of energy companies, with American LNG shippers and German buyers set to meet next week in Berlin to hash out possible deals.

The US has already been providing more LNG to Europe, with shipments doubling to record 4.4bn cubic metres in January and a similar level in February. Supplying another 15bn cubic metres could be feasible as long as Europe continue to pay a premium to cargoes compared to Asian buyers. A significant boost to global LNG supplies will only come from 2025, when new projects are scheduled to come online.

It’s also unclear whether the supplies would be coming from additional production or from cargoes being redirected from other regions. A senior US administration official who briefed reporters on the plan Friday couldn’t say how much of the additional 15bn cubic metres would be provided by US suppliers versus suppliers in Asia or elsewhere.

Currently, European buyers are competing with Asian countries for the world’s limited supply of LNG cargoes.

Germany also unveiled its own plan to dramatically reduce Russian fossil fuel imports and make the country almost completely independent of Russian gas by the middle of 2024. Critics say the plan is impossible to achieve as Germany is Europe’s biggest buyer of Russian gas.

The US-EU aspirational pact is light on detail. The senior US administration official said permitted US projects can meet the 50bn cubic metres of demand, and added that Europe’s pledge to try to meet that demand might nudge planned US

facilities toward a final investment decision.

The US worked with partners in Asia this winter to secure supply but is now working to build up stocks for next winter. The effort will require a lot of diplomacy, another official told reporters.

The European Union wants to replace this year nearly two-thirds of its total gas imports from Russia after the war waged by President Vladimir Putin forced an unprecedented re-think of the bloc's energy strategy. The new energy strategy, outlined by the European commission earlier this month, aims to replace 101.5bn cubic metres of Russian gas in 2022 by tapping alternative supply sources, building up renewables and boosting energy security. It also seeks to ensure 50bn cubic metres in LNG from new suppliers.

Europe's ability to import more LNG is constrained by the current regassification capacity, number of terminals and interconnectors, according to an EU official, who asked not to be identified commenting on private talks.

Still, the continent is in a much better place than earlier this year, with mild weather and more LNG imports helping bring inventories level back within the 5-year range, after falling to the lowest in more than a decade. European gas prices have fallen more than 60% since reaching a record earlier this month.

---

**Qatar will stand in solidarity with Europe, won't divert gas contracts to other**

# customers: Minister of State for Energy Affairs



Doha: Minister of State for Energy Affairs HE Saad bin Sherida Al Kaabi stressed that Qatar will stand “in solidarity with Europe” and will not divert gas contracts to other customers, even if it means losing on possible financial gains.

The Minister told CNN that even though Qatar’s LNG contracts with Europe and the UK were divertible ones, Qatar’s commitment to Europe means “we’re not going to divert contracts and will keep them in Europe, even if there is financial gain for us to divert away, we would not do that,” before adding “that’s in solidarity with what’s going on in Europe.”

On the possibility for Europe to replace Russian gas, Al Kaabi said that replacing Russian gas is “not practically possible.” He highlighted that Russia supplies 30 to 40 percent of Europe’s gas needs, something the continent cannot replace.

The Minister of State rejected imposing sanctions on Russia’s



energy sector, adding that Qatar was not choosing sides in the Ukrainian crisis. He added that it was to keep the energy sector out of politics, due to the negative ramifications doing so would have on development. He added that doing so could affect prices the way it did and cause a lot of volatility.

He noted that the Ukrainian crisis had a negative impact on energy transition, highlighting that the use of coal has reached its highest levels ever, as all parties involved are prioritizing their energy security ahead of any long-term gains they are trying to reach. HE the Minister maintained however that the energy sector could do that in a responsible manner.

Commenting on the role the US could play in the future of energy production, he said that the US is certainly one of the biggest suppliers, given the abundance of LNG the country has.

On the prospects of Europe buying fuel jointly from large suppliers, the Minister said that he is yet to see a decision regarding that, noting that this never happened in the past. His Excellency added that many parties in Europe were speaking with Qatar and other large LNG producers because they want to diversify their supply.

On whether Qatar could turn its back on its Asian partners, the Minister of State for Energy Affairs said that QatarEnergy was the biggest company in terms of signing long-term contracts with partners in Asia, with many of those agreements signed over the past three years.

He also told CNN that there is a desire to diversify the buyers of Qatari gas, revealing that the plan is to have half of the customers of the Qatari gas be located to the East of the Suez Canal, with the other half to its West. Currently, 80-85% of Qatar gas buyers are in Asia, with 15-20% of customers located to the West of the Suez Canal.

---

# 'Qatar, US recognise urgency climate change challenge'



Doha

The State of Qatar and the United States of America recognise the urgency of the challenge posed by climate change and the importance of accelerating global efforts on all aspects of the climate change agenda.

Qatar and the US also agree on the need to provide energy security and tackle the climate crisis together in light of current events and on the road to COP27 in Sharm el Sheikh. Rapidly reducing methane emissions is the most effective strategy to limit global warming in the near term and keep 1.5 degrees Celsius within reach.

Qatar's endorsement of the Global Methane Pledge provides critical momentum to global efforts to urgently reduce methane emissions. There are now 111 country endorsements of the Global Methane Pledge, representing 70% of the global economy and nearly half of global anthropogenic methane emissions.

Countries endorsing the Global Methane Pledge commit to take

national-level, voluntary actions to support the collective pledge target of 30% reduction in anthropogenic methane emissions by 2030 from 2020 levels.

Qatar is a global leader in tackling methane emissions as it has achieved example-setting progress reducing methane intensity in the energy sector over the past decade. Qatar has an impressive track record of actions and commitments to monitor, report, verify, and reduce methane, including through reducing flaring and methane emissions in the energy sector.

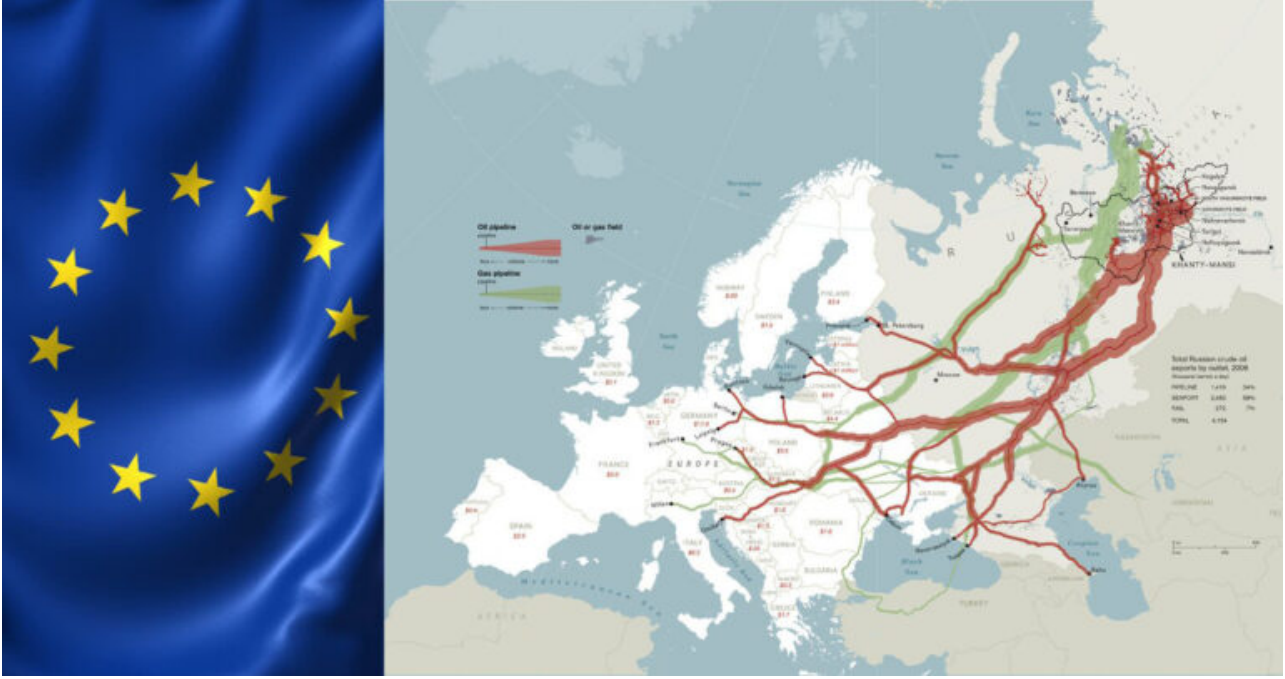
QatarEnergy was the first national oil company in the Middle East to sign the Methane Guiding Principles, which support voluntary corporate efforts to reduce methane emissions across the natural gas supply chain.

QatarEnergy is also an active member of the Global Gas Flaring Reduction Partnership (GGFR) with a firm commitment to end routine flaring by 2030 and has joined the second phase of the Oil and Gas Methane Partnership (OGMP 2.0), which enables systematic and credible reporting on oil and gas methane emissions.

The Global Methane Pledge builds on Qatar's status as a founding member of the Net-Zero Producers Forum, and its ongoing strong performance, and provides an exciting new platform for Qatar and the US to deepen cooperation on methane reduction efforts, including with third countries.

---

**الحرب بين روسيا وأوكرانيا  
وسعي أوروبا الخاطئ إلى أمنها  
في مجال الطاقة**



## بقلم: رودى بارودي

لقد كشف تردد أوروبا في استهداف قطاع الطاقة الروسية لمعاقة موسكو على غزوها لأوكرانيا مدى هشاشة إمدادات الطاقة للقارة، حيث تتطلب أفضل الحلول، فهماً أعمق لكيفية وصول الوضع الأوروبي إلى ما هو عليه اليوم.

التفسير البسيط هو أن ألمانيا والعديد من الدول الأوروبية الأخرى أصبحت تعتمد بشكل مفرط على واردات الغاز الطبيعي الروسي. لكن هذا ليس صحيحاً تماماً، لأن العديد من العوامل الأخرى تزيد من ضعف أوروبا، وبينما يلعب سوء التوقيت دوراً في بعضها، فإن البعض الآخر ينبع من إخفاقات كبيرة على مستوى صناعة القرار الاستراتيجي.

قررت حكومات اوروبية عدة إغلاق محطات الطاقة النووية والفحم في السنوات الأخيرة، الأمر الذي لم يؤد سوى إلى زيادة حاجة أوروبا للطاقة - وبالتالي الاعتماد على - الغاز الروسي. هذا لا يعني أنه لم تكن هناك أسباب مقنعة لهذه القرارات، وأن تزامن فترة ما بعد الاعتماد على الطاقة النووية مع الأزمة الروسية الأوكرانية يعد سوء طالع الى حد ما، ومع ذلك لا يمكن إنكار حقيقة أن التخلي عن هذا الكم الهائل من مولدات الطاقة النووية قد ترك لأوروبا عددًا قليلاً من البدائل العملية والقابلة للتطبيق. لكن المشكلة الحقيقية لم تكن بالإغلاق التدريجي لوحدات التوليد النووية؛ بل الفشل المتمثل في عدم الاستعداد بشكل مناسب للعواقب من خلال تجهيز مصادر طاقة

بديلة جديدة كافية، وخاصة مصادر الطاقة المتجددة.

في ألمانيا أيضاً، وإلى جانب سياسة التخلي عن الطاقة النووية نسبياً، تم تأجيل انشاء محطتين جديدتين لاستقبال شحنات الغاز الطبيعي المسال المنقولة بحراً لأكثر من عقد. وهذا يعني أنه، حتى لو تمكنت أوروبا من تأمين ما يكفي من الغاز الطبيعي المسال لاستبدال الغاز الذي يُضخ إليها من روسيا عبر الأنابيب، فإنها تفتقر إلى القدرة الكافية على إعادة تحويل الغاز المسال إلى غاز جاهز للاستهلاك يمكن الاستفادة منه بالكامل.

وفي منحى مماثل، فإن خط أنابيب نابوكو المقترح - الذي كان سينقل الغاز الأذربيجاني والمصري والعراقي و / أو التركماني من تركيا إلى النمسا - تعرض أيضاً لعراقيل متكررة وإلغاء نهائي في عام 2013، مما زاد من أهمية اعتماد أوروبا على الغاز الروسي وخطوط الأنابيب الروسية.

وبالرغم من ضياع هذه الفرص وغيرها على أوروبا والتي كانت ستؤمن لها المرونة في الاستفادة من مصادر طاقة متعددة من خلال تنويع مصادرها ووسائلها وطرق إمدادها، فإنه لا يزال أمام أوروبا الوقت لتحسين وضعها بشكل كبير، لا سيما على المدى المتوسط الطويل. أحد الخيارات الواعدة هو ربط فرنسا وإسبانيا بالجزائر والمغرب بوسائط نقل الغاز بأنابيب تحت البحر مع امكانية كبيرة لإعادة تكرير الغاز المسال الى غاز قابل للاستهلاك، حيث يمكن بعد ذلك توزيع الإمداد بالغاز إلى دول اوروبية أخرى. إلا أن مسائل سياسية وعراقيل مختلفة قد أدت إلى إبطاء هذا الاقتراح أيضاً، لذلك لا يسعنا إلا أن نأمل أن تساعد الأزمة الأوكرانية في تسليط الضوء مجدداً في مدريد وباريس على هذا المقترح.

هناك خطوات أخرى يمكن أن تتخذها أوروبا أيضاً، بعضها مباشر وتتطلب تسهيل التعاون عبر الحدود وتجاوز تطبيق بنود الاتفاقيات التي يمكن أن تستغرق وقتاً طويلاً لتحقيق. يتمثل أحدها في تعزيز قدرة القارة على تحمل حالات انقطاع واردات الغاز من خلال زيادة قدرتها التخزينية، سواء للغاز التقليدي في كهوف الملح تحت الأرض أو للغاز المسال في مستودعات الغاز الطبيعي الجديدة أو الموسعة.

وهناك خطوة ثانية تتمثل في تأجيل الألمان والبلجيكيين وغيرهم إغلاق

المحطات النووية المقرر إيقاف تشغيلها. والثالثة هو أن يقوم الهولنديون بتوسيع موانئهم الحالية لاستقبال الغاز الطبيعي المسال، أما الخطوة الرابعة فقد بدأت في الأيام القليلة الماضية حيث استهل الألمان العمل في مرافق الاستيراد الخاصة بهم. وقد تكون الخطوة الخامسة هي العمل فوراً على ربط حقل غاز شرق البحر الأبيض المتوسط عبر خط أنابيب إلى تركيا ومن بعدها إلى أوروبا.

يمكن أيضاً تحسين الوضع من خارج القارة. فقد ضاعفت الولايات المتحدة، على سبيل المثال، صادراتها من الغاز الطبيعي المسال إلى أوروبا، وينبغي أن تكون قطر - التي أوفت بكل التزام من التزامات التسليم على الرغم من الحصار غير القانوني لمدة عامين ونصف العام الذي فرضه عليها بعض جيرانها - قادرة على زيادة شحناتها أيضاً، الأمر الذي من شأنه أن يعيد الثقة بأسواق التوريد. أما إسبانيا فإلى جانب تلقيها الغاز عبر الأنابيب فهي أيضاً تتزود بالكهرباء المولدة من مزارع الطاقة الشمسية في شمال إفريقيا، بالإضافة إلى نطاق شبكات تعاون المشتركة الهائل على امتداد المنطقة الأورو متوسطة.

أخيراً وبالتأكيد ليس آخرًا، يمكن لأوروبا أن تخدم مصالحها على أفضل وجه - بكل ما للكلمة من معنى - من خلال الموافقة على دعمها المالي لمشاريع النفط والغاز المستقبلية للسنوات القليلة المقبلة، وأن تصبح أكثر جدية بشأن مصادر الطاقة المتجددة. تمتلك دول الأورو متوسطاً وحدها إمكانات كافية من طاقة الرياح البحرية لتحل محل الصناعة النووية العالمية بأكملها، بالإضافة إلى تقنيات أخرى، بما في ذلك الطاقة الشمسية والأمواج والمد والجزر والطاقة الحرارية الأرضية تحت سطح البحر.

كل هذا يجب أن يوفر الاستقلالية عن الغاز الروسي وأن يعبد الطريق نحو السلام وليس الحرب.

# Ο πόλεμος και η προβληματική αναζήτηση της Ευρώπης για ενεργειακή ασφάλεια



## ΗΜΕΡΗΣΙΑ

OPINIONS – 25.03.22 17:42

Roudi Baroudi

Τι πρέπει να γίνει για να υπάρχει απεξάρτηση από το ρωσικό αέριο και να κινούνται τα αγαθά για την ειρήνη, όχι για τον πόλεμο

Οι επιφυλάξεις της Ευρώπης να βάλει στο στόχαστρο τη ρωσική ενεργειακή βιομηχανία για να τιμωρήσει τη Μόσχα για την εισβολή της στην Ουκρανία έχει αποκαλύψει

ότι **οι ενεργειακές προμήθειες της ηπείρου δεν είναι επαρκείς**, με τις καλύτερες λύσεις να απαιτούν βαθύτερη κατανόηση του πώς η ευρωπαϊκή κατάσταση έφτασε στο σημείο που είναι σήμερα.

**Η απλή εξήγηση είναι** ότι η Γερμανία και πολλές άλλες ευρωπαϊκές χώρες έχουν γίνει υπερβολικά εξαρτημένες από τις εισαγωγές ρωσικού φυσικού αερίου. Αλλά αυτό είναι μόνο εν μέρει αλήθεια, καθώς πολλοί άλλοι παράγοντες τονίζουν την αδυναμία της Ευρώπης, άλλοι το αποδίδουν σε ατυχή συγκυρία, άλλοι το ερμηνεύουν ως **αποτυχία στο επίπεδο λήψης στρατηγικών αποφάσεων**.

Πρώτον, **πολλές κυβερνήσεις αποφάσισαν να κλείσουν τους πυρηνικούς σταθμούς** και τους σταθμούς ηλεκτροπαραγωγής με άνθρακα τα τελευταία χρόνια, γεγονός που απλώς αύξησε την ανάγκη της Ευρώπης και συνεπώς την εξάρτησή της από το ρωσικό αέριο. Αυτό δεν σημαίνει ότι δεν υπήρχαν επιτακτικοί λόγοι για αυτές τις αποφάσεις, και η σύμπτωση αυτής της μεταπυρηνικής περιόδου με την κρίση Ρωσίας-Ουκρανίας είναι τουλάχιστον εν μέρει κακή τύχη.

Ωστόσο δεν μπορεί να αμφισβητηθεί το γεγονός ότι η αδράνεια ή η ανικανότητα σε μεγάλες παραγωγές **έχει αφήσει την Ευρώπη με λίγες πρακτικές και βιώσιμες εναλλακτικές λύσεις**.

Το πραγματικό πρόβλημα, ωστόσο, δεν ήταν οι πυρηνικές διακοπές λειτουργίας των ίδιων των τοπικών μονάδων παραγωγής, αλλά μάλλον μια **αποτυχία επαρκούς προετοιμασίας για τις συνέπειες** προσθέτοντας άλλες εναλλακτικές όπως τις ανανεώσιμες πηγές ενέργειας.

Επίσης στη Γερμανία, και εν μέρει παράλληλα με τις διαδικασίες αποπυρηνικοποίησης, δύο νέοι τερματικοί σταθμοί για την παραλαβή υγροποιημένου φυσικού αερίου (LNG) έχουν καθυστερήσει για περισσότερο από μια δεκαετία.

Αυτό σημαίνει ότι **ακόμη κι αν η Ευρώπη μπορούσε να εξασφαλίσει αρκετό LNG** για να αντικαταστήσει το φυσικό αέριο που λαμβάνει από τη Ρωσία, **δεν έχει επαρκή ικανότητα επαναεριοποίησης** για



να το χρησιμοποιήσει πλήρως.

Ομοίως, ο προτεινόμενος **αγωγός Nabucco** -ο οποίος θα μετέφερε αέριο από το Αζερμπαϊτζάν, την Αίγυπτο, το Ιράκ ή και το Τουρκμενιστάν από την Τουρκία στην Αυστρία- σημείωσε επίσης επανειλημμένες καθυστερήσεις και τελικά ακυρώθηκε το 2013, επιβάλλοντας περαιτέρω τη σημασία του ρωσικού φυσικού αερίου και των ρωσικών αγωγών.

Παρά το γεγονός ότι η Ευρώπη έχασε αυτές και άλλες ευκαιρίες να γίνει πιο ευέλικτη και πιο ανθεκτική διαφοροποιώντας τις πηγές, τα μέσα και τις οδούς εφοδιασμού της, **έχει ακόμη χρόνο να βελτιώσει ουσιαστικά τη θέση της**, ιδίως μεσοπρόθεσμα και μακροπρόθεσμα.

Μια πολλά υποσχόμενη επιλογή είναι μια **διασύνδεση φυσικού αερίου** που θα επεκτείνει ριζικά τη χωρητικότητα του αγωγού **μεταξύ της Ισπανίας**, με υποθαλάσσιους αγωγούς προς την Αλγερία και το Μαρόκο και μια σημαντική αχρησιμοποίητη ικανότητα επαναεριοποίησης, **και της Γαλλίας**, από όπου οι εν λόγω προμήθειες θα μπορούσαν στη συνέχεια να διανεμηθούν σε άλλα σημεία της Ευρώπης.

Πολιτικές και άλλες ανησυχίες έχουν επιβραδύνει και αυτή την πρόταση, επομένως μπορούμε μόνο να ελπίζουμε ότι το επεισόδιο της Ουκρανίας θα βοηθήσει να ανανεωθεί η εστίαση στη Μαδρίτη και το Παρίσι.

Υπάρχουν και άλλα βήματα που θα μπορούσε να κάνει η Ευρώπη, μερικά από αυτά αρκετά απλά και απαιτούν λιγότερα από τη διακρατική συμφωνία και συνεργασία που **μπορεί να πάρουν τόσο πολύ χρόνο για να επιτευχθούν και να ενεργοποιηθούν**.

Το ένα είναι να ενισχύσουμε την ικανότητα της ηπείρου να αντέχει τις διακοπές παράδοσης αυξάνοντας την ικανότητα αποθήκευσης, είτε για συμβατικό αέριο σε υπόγεια σπήλαια αλατιού είτε για την υγροποιημένη έκδοση σε νέες ή διευρυμένες αποθήκες LNG. Ένα άλλο είναι **να καθυστερήσουν οι Γερμανοί, οι Βέλγοι και άλλοι το κλείσιμο των πυρηνικών σταθμών** που επί του

παρόντος προγραμματίζονται για παροπλισμό.

Ένα τρίτο είναι να επεκτείνουν οι **Ολλανδοί τα υπάρχοντα λιμάνια λήψης LNG** και ένα τέταρτο ξεκίνησε τις τελευταίες ημέρες, καθώς οι Γερμανοί άρχισαν να εργάζονται για τις δικές τους εγκαταστάσεις παραλαβής. Ένα πέμπτο είναι να εργαστεί άμεσα στο **κοίτασμα φυσικού αερίου East Med Leviathan** για σύνδεση μέσω αγωγού με την Τουρκία και μετά με την Ευρώπη.

Η κατάσταση μπορεί επίσης να βελτιωθεί από χώρες εκτός Ευρώπης. Οι **Ηνωμένες Πολιτείες**, για παράδειγμα, έχουν διπλασιάσει τις εξαγωγές LNG στην Ευρώπη, και το **Κατάρ** -το οποίο τήρησε κάθε μία από τις δεσμεύσεις του για παράδοση παρά τον παράνομο αποκλεισμό δυόμισι ετών που του επέβαλαν ορισμένοι από τους γείτονές του- θα πρέπει να είναι σε θέση να αυξήσει και τις αποστολές του, κάτι που θα αποκαθιστούσε την εμπιστοσύνη στις αγορές εφοδιασμού.

Εκτός από το φυσικό αέριο που διοχετεύεται με αγωγούς, η Ισπανία λαμβάνει επίσης ηλεκτρική ενέργεια που παράγεται από **ηλιακά πάρκα στη Βόρεια Αφρική** και τα περιθώρια για παρόμοια κοινά δίκτυα στην ευρωμεσογειακή περιοχή είναι τεράστια.

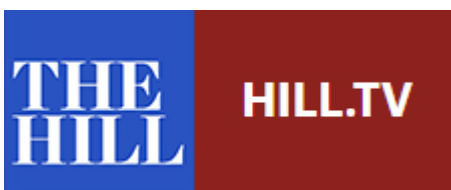
Τελευταίο, αλλά σίγουρα εξίσου σημαντικό, η Ευρώπη μπορεί να εξυπηρετήσει καλύτερα τα δικά της συμφέροντα -με όλη τη σημασία της λέξης- **εγκρίνοντας τη χρηματοδοτική της υποστήριξη σε μελλοντικά έργα πετρελαίου και φυσικού αερίου** για τα επόμενα χρόνια και λαμβάνοντας ακόμη πιο σοβαρά τις ανανεώσιμες πηγές ενέργειας.

Οι ευρωμεσογειακές χώρες από μόνες τους έχουν αρκετό **υπεράκτιο δυναμικό αιολικής ενέργειας** για να αντικαταστήσουν ολόκληρη την παγκόσμια πυρηνική βιομηχανία, και άλλες τεχνολογίες καλούν επίσης, όπως ηλιακή, κυματική, παλιρροιακή και υποθαλάσσια γεωθερμία.

Όλα αυτά για να υπάρχει απεξάρτηση από το ρωσικό αέριο και να κινούνται τα αγαθά για την ειρήνη, όχι για τον πόλεμο.

---

# The Russia-Ukraine war and Europe's flawed quest for energy security



BY ROUDI BAROUDI, OPINION CONTRIBUTOR – 03/25/22 02:30 PM EDT  
THE VIEWS EXPRESSED BY CONTRIBUTORS ARE THEIR OWN AND NOT THE  
VIEW OF THE HILL

Europe's hesitance over targeting Russia's energy industry to punish Moscow for its invasion of Ukraine has exposed the precariousness of the continent's energy supplies, with best solutions demanding a deeper understanding as to how the European situation got to where it is today.

The simple explanation is that Germany and several other European countries have become over-reliant on imports of Russian natural gas. But this is only partly true; numerous other factors accentuate Europe's vulnerability, and while some amount to unfortunate timing, others stem from significant failings at the strategic decision-making level.

For one thing, several governments have decided to close their nuclear and coal power plants in recent years, which has only increased Europe's need for – and therefore dependence on – Russian gas. This is not to say that there were no compelling reasons for these decisions, and the coincidence of this post-nuclear period with the Russia-Ukraine crisis is at least partly bad luck, yet there is no denying the fact that the idling of so much output capacity has left Europe with few practical and viable alternatives. The real problem, though, was not the nuclear shutdowns phasing out local generating units themselves; rather, it was a failure to adequately prepare for the consequences by adding enough new capacity, especially renewables.

Also in Germany, and partly alongside the denuclearization process, two new terminals for receiving seaborne shipments of liquefied natural gas (LNG) have been delayed for more than a decade. This means that even if Europe were able to secure enough LNG to replace the piped gas it gets from Russia, it lacks sufficient regasification capacity to make full use of it.

Similarly, the proposed Nabucco pipeline – which would have carried Azerbaijani, Egyptian, Iraqi, and/or Turkmen gas from Turkey to Austria – was also subjected to repeated delays and eventual cancellation in 2013, further entrenching the importance of Russian gas and Russian pipelines.

Despite having missed these and other opportunities to make itself more flexible and more resilient by diversifying its sources, means, and routes of supply, Europe still has time to

substantially improve its position, especially in the medium and long terms.

One promising option is a gas interconnector which would radically expand the pipeline capacity between Spain, with both undersea pipelines to Algeria and Morocco and a considerable unused regasification capacity, and France, from where the supplies in question could then be distributed to other points in Europe. Political and other concerns have slowed this proposal as well, so we can only hope that the crisis in Ukraine will help renew the focus in Madrid and Paris.

There are other steps Europe could take as well, some of them quite straightforward and requiring less of the cross-border agreement and cooperation that can take so long to reach and activate. One is to bolster the continent's ability to withstand delivery interruptions by increasing its storage capacity, whether for conventional gas in underground salt caverns or for the liquefied version in new or expanded LNG depots. Another is for the Germans, Belgians, and others to delay the closure of nuclear plants currently slated for decommissioning. A third is for the Dutch to expand their existing LNG receiving ports, and a fourth has got under way in the last few days as the Germans have started work on their own receiving facilities. A fifth is to work immediately on the East Med Leviathan gas field to connect via pipeline to Turkey and onward to Europe.

The situation can also be ameliorated from the outside. The United States, for example, has doubled its LNG exports to Europe, and Qatar – which met every single one of its delivery commitments despite the illegal two-and-half-year blockade imposed on it by some of its neighbors – should be able to increase its shipments, too, something that would restore confidence in supply markets. In addition to pipelined gas, Spain also receives electricity generated by solar farms in North Africa, and the scope for similar shared grids across

the Euro-Mediterranean region is enormous.

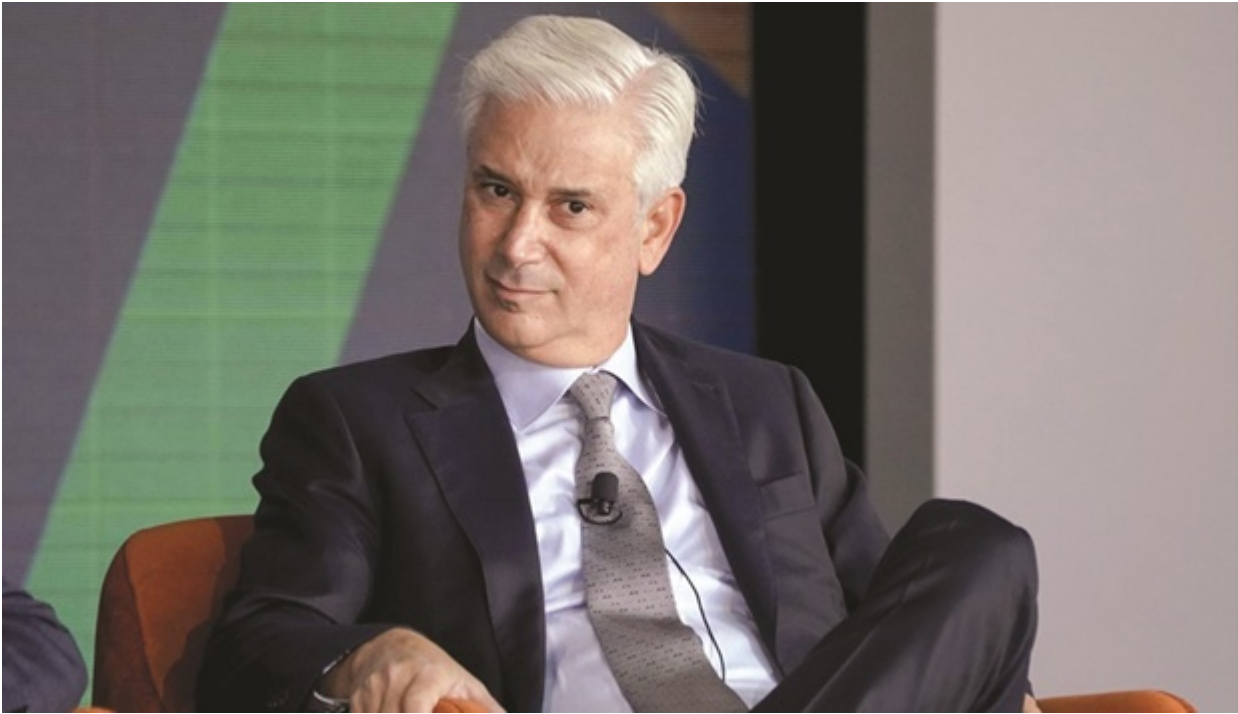
Last, but certainly not least, Europe can best serve its own interests – in every sense of the word – by approving its financial support on future oil and gas projects for the next few years and getting even more serious about renewables. The Euro-Med countries alone have enough offshore wind power potential to replace the entire global nuclear industry, and other technologies beckon as well – including solar, wave, tidal, and undersea geothermal.

All this to become independent of Russian gas and to move for peace, not war.

Roudi Baroudi is a senior fellow at the Transatlantic Leadership Network and the author of “Maritime Disputes in the Mediterranean: The Way Forward” a book distributed by the Brookings Institution Press. With more than 40 years of experience in fields including oil and gas, electricity, infrastructure and public policy, he currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha, Qatar.

---

**Wells Fargo's \$28bn oil  
lenders ready for boom**



One year after Wells Fargo & Co became one of the last big US banks to make a net-zero promise, essentially marking its enormous oil and gas loan business for extinction, the bankers who dole out billions of dollars to fossil fuel aren't panicking.

The specialists in oil and gas have worked through a streak of money-burning years capped by a brutal pandemic. Now the hydrocarbon business is roaring back, and Wells Fargo's lenders sit right at the top. No one in the world put together more fossil fuel loans last year as book runner, according to data Bloomberg compiled: The bank's 2021 tally in the sector topped \$28bn; it's racked up more than \$188bn in oil and gas loans since late 2015, when the landmark Paris Agreement was adopted. That sum is more than the market capitalisation of BP, Marathon Petroleum, and Valero Energy – combined.

There are good reasons for the leaders in fossil finance to be anxious. Start with the bank's net-zero goal: Wells has joined more than 100 financial institutions with midcentury deadlines for axing greenhouse gas. Few bankers like to be in a line of work practically marked for elimination. Even if you happen to distrust corporate pledges, the explosion of environmental, social, and governance considerations into a multi-trillion dollar industry puts pressure on those in the business of

funding oil, gas, and coal.

But Wells bankers are playing the long game. "There's this idea or dynamic that it's a light switch," says Scott Warrender, who runs the energy and power team. The green revolution? "Our view – and in reality – it will play out over a much longer time frame."

Wells executives won't stop making hydrocarbon loans when the rest of us are consuming so much of it, according to interviews with 10 current and former people there. Few veterans of this business are quite sure where it goes from here. Their attitude toward the crisis of climate change veers between pragmatism and, in the case of one former executive, disdain.

It all adds up to a high-stakes moment for the energy industry, the warming world, and Wall Street, especially for a bank that chief executive officer Charlie Scharf is trying to turn around after years of scandals. Since access to capital is so important to the fossil fuel industry, which ploughs through money, the moral and financial calculations of bankers like those at Wells will play a key role in the future of the climate.

Until the economy and society both evolve, Warrender says, "our view is we need to bank the broad energy sector in all of its forms." Over decades as an energy banker, he's watched the hydrocarbon industry dive into busts and then climb back into big-money booms. He's survived the tumult and learned to stick it out through the endgame, he told a journalist over a decade ago, back when he likened his job as an energy banker to his pastime of amateur boxing. Today, he says, his hobby has switched to cycling, but his focus on energy is unchanged.

"That's going to be what's interesting," says Derek Detring, who had a stint eight years ago as a Wells energy banker before he started a firm advising the energy industry. "Now that we're making money again, will investors stay away?" As the long-suffering industry returns to being lucrative, he says, "it will be harder for them to leave."

Indeed, oil prices soared after the invasion of Ukraine and



moves by the US and UK to ban Russian oil. Energy executives and their bankers are used to volatility. Wells Fargo's fossil fuel lending has stayed at the top of the industry even as annual totals bounced around – from \$23bn in 2016, up to \$48.3bn in 2018, and then back down to \$28.7bn last year.

Historically, bankers haven't been under much pressure from shareholders to move faster on climate. But that could change. Last year, ahead of the United Nations climate conference, Wells joined the Glasgow Financial Alliance for Net Zero, a group of banks and fund managers representing \$130tn in assets. (Michael Bloomberg, the owner and founder of Bloomberg LP, is co-chair of the alliance.) The big banks, in addition to pledging to zero out emissions, have agreed to eventually begin accounting for the carbon in their vast portfolios. Coming up with measurements for "financed emissions" will be hotly contested, and activists will be watching. In December the investor group Interfaith Center on Corporate Responsibility asked Wells and other banks to adopt a policy by the end of 2022 to ensure that lending and underwriting don't contribute to new fossil fuel development.

For now, though, a Wall Street giant can go green and underwrite the clean-energy future while also doing deals on gas pipelines and oil fields. Wells was just ahead of JPMorgan Chase & Co last year as the book runner on syndicated loans, which means being the bank in charge when several are involved. Looking at loans gives a good sense of how fossil fuel companies finance themselves, but they also work with Wall Street to issue bonds. Wells wasn't the biggest in that space last year – the \$7.7bn it managed was about half of JPMorgan's \$15.8bn.

"We've been a leading financial partner to traditional energy companies, such as oil and gas producers and electric utilities, as well as the emerging renewables business, for many years," said a Wells spokesperson. "We will continue to support our clients in this industry as they provide the fuel that powers society today, and as they respond to the evolving market."

None of the bank's recent oil and gas lending deals have been bigger than the \$5bn revolving loan it led in 2018 for Energy Transfer LP, whose Dakota Access Pipeline is at the heart of the battle between the oil industry and the Standing Rock Sioux Tribe. Billionaire Kelcy Warren, the chairman of the Dallas-based pipeline operator, has a relationship with Wells that stretches back decades. Not long before the loan, advisory group Institutional Shareholder Services Inc recommended that Wells investors support a resolution requiring policies to help protect Indigenous groups. Protesters made their way in 2017 to the California home of Tim Sloan, then the boss of the bank, and set up an inflatable pipeline.

That didn't scare Wells out of the business. Its most significant syndicated fossil fuel loan last year was a \$3bn deal with Enterprise Products Partners LP. The Houston pipeline owner agreed in January to buy Navitas Midstream Partners and its 1,750 miles of pipeline in the Permian Basin for \$3.25bn in cash.

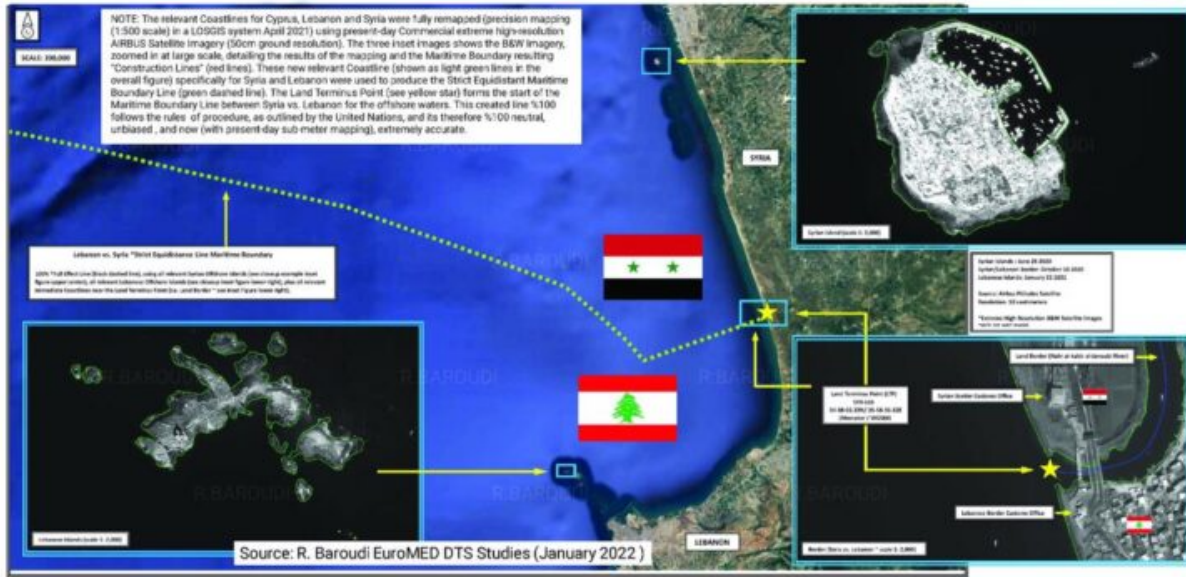
The story of energy lending isn't just about the future of climate – it's also about consolidation turning dozens of banks into just a few. Wells ended up a giant in fossil loans after a string of acquisitions.

---

**ترسيم الحدود البحرية شمالاً...  
بارودي: لاجتماع ثلاثي للتوصل  
إلى نقطة تقاطع**



## Lebanon – Syria Maritime Boundaries Strict Equidistance Line with Islands Effects



يَجْمع قصر بعدا اليوم رئيس الجمهورية العماد ميشال عون ورئيسي مجلس النواب نبيه بري والوزراء نجيب ميقاتي، لبحث موقف لبنان الرسمي من عرض الوسيط الاميركي آموس هوكشتاين لترسيم الحدود البحرية.

في انتظار معلومات قد ترشح عن الاجتماع، يُجْمع الخبراء على أن موضوع ترسيم الحدود البحرية للبنان شمالاً وجنوباً، يجب أن يكون ضمن سلة واحدة، في حين أن لبنان لم يرسم حدوده لا مع سوريا ولا مع قبرص ولا مع إسرائيل علماً أن المفاوضات الأصعب مع الأخيرة بفعل العداء بين البلدين.

وفيما الساحة الإقليمية عموماً والداخلية خصوصاً تترقب مآل المفاوضات غير المباشرة مع إسرائيل على وقع الدرس الرسمي اللبناني لاقتراح الوسيط الأميركي آموس هوكشتاين، تتوجّه الأنظار إلى الحدود البحرية الشمالية للبنان للسؤال عن مصير المفاوضات مع...سوريا لترسيم تلك الحدود

الخبير الدولي في شؤون الطاقة رودي بارودي يرى رداً على سؤال لـ"المركزية"، أن "ملف الحدود البحرية الشمالية بين لبنان وسوريا، يحتاج إلى حل في إطار من المفاوضات الودية"، كاشفاً أن "في الوقت الحاضر لا يزال الملف مجمّداً، ولم تتم معالجة الحدود البحرية حتى الآن".

ويُلفت إلى أن "متابعة الموضوع تتطلب أيضًا عقد اجتماع ثلاثي الأطراف يضمّ لبنان وسوريا وقبرص من أجل حل مسألة الحدود البحرية". والتوصل بالتالي إلى نقطة تقاطع ثلاثية.

ويذكر بارودي بأن "لبنان سبق أن أعلن من جانب واحد عن خط الحدود البحري الخاص به، ونشر إحداثياته الجغرافية بالإضافة إلى الوثائق كافة مع "وحدة شؤون المحيطات" ووفق "معاهدة الأمم المتحدة لقانون البحار" (وهي اتفاقية دولية توفر إطاراً قانونياً متكاملًا لآلية الانتفاع من مياه البحار والمحيطات في العالم، وهي تضمن الحفاظ على الموارد البيئية والبحرية وكذلك الانتفاع العادل لتلك الموارد).

ويُضيف: استُخدم هذا الخط كخط الأساس الطبيعي الافتراضي لسوريا، وخط الأساس الطبيعي الافتراضي مع لبنان. ومع ذلك، لا يتطابق هذا الخط مع ذلك المتساوي الأبعاد الموجود في الخرائط المنشورة أدناه. وربما استخدم لبنان خرائط أساسية قديمة للتوصل إلى خطوطه المقترحة.

وفي المقلب الآخر، تطرّق بارودي إلى البلوكات الموجودة بين لبنان وسوريا، ولبنان وقبرص، ويقول: من المهم أن نعرف وفقًا للدراسة التي أجريتها مؤخرًا عن "قانون البحار"، أن بلوكات البلدان الثلاثة تتداخل ببعضها البعض. البلوك السوري يتداخل مع البلوك اللبناني بـ 15383 مترًا، بينما البلوك اللبناني فيمتد على البلوك السوري بـ 1707 أمتار تقريبًا. بينما البلوك اللبناني يتداخل مع حدود قبرص بـ 5 أمتار تقريبًا، فيما البلوك القبرصي يمتد إلى البلوك اللبناني بـ 233 مترًا تقريبًا.

في ظل هذه الصورة، هل يحرك لبنان ملف الترسيم شمالاً بالتوازي مع الترسيم جنوباً؟ أم سيكون مصير الأول كمصير الثاني وهو التخبّط وإضاعة الوقت؟

# Column: Hedge funds slash oil positions amid extreme volatility



By John Kemp

LONDON, March 14 (Reuters) – Investors cut bullish bets on oil last week as prices surged to multi-year highs, the economic outlook deteriorated, and extreme volatility made derivatives positions more expensive to maintain.

Hedge funds and other money managers sold the equivalent of 142 million barrels in the six most important petroleum-related futures and options contracts in the week to March 8.

Last week's sales were the 11th largest out of 469 weeks since March 2013, records published by ICE Futures Europe and the U.S. Commodity Futures Trading Commission showed.

Portfolio managers sold Brent (-97 million barrels), European gas oil (-23 million), U.S. gasoline (-13 million) and U.S. diesel (-11 million) and were buyers only of NYMEX and ICE WTI (+2 million).

The selling was dominated by closure of existing bullish long positions (-114 million barrels) rather than the initiation of new bearish short ones (+28 million), consistent with a risk-reducing strategy.

Funds ended up with a net position in the six contracts of just 588 million barrels (45th percentile for all weeks since 2013) down from a peak of 761 million barrels (70th percentile) on Jan. 18.

Bullish long positions outnumbered bearish short ones by a ratio of 4.76:1 (61st percentile) down from 6.24 (80th percentile) in mid-January (Link).

In recent weeks, the record backwardation in futures prices, accelerating rise in spot prices, and increasing day-to-day volatility have been signs of a market under extreme stress and likely to reverse course.

Soaring oil prices have been part of a broader increase in the price of raw materials, manufactured items and freight charges which has raised the probability of a recession within the next 12 months.

Reflecting the deteriorating economic outlook and volatility costs, distillate positions were cut to 85 million barrels (67th percentile) last week down from a recent peak of 144 million barrels (85th percentile) five weeks earlier.

Rising volatility is also a symptom of a market becoming less liquid, with both bullish and bearish investors less willing to take on new risk exposures and instead reducing positions until trading becomes calmer.

Heightened volatility has fed through into more demands for margin from brokers and clearing houses and makes futures and options positions increasingly expensive to maintain, encouraging fund managers to trim positions.

Extreme volatility and rapidly diminishing liquidity is reminiscent of trading conditions in the second quarter of 2008 as oil prices climbed towards a record high in the first half of July before plunging.

Oil prices are caught between rising supply risks as a result of Russia's invasion of Ukraine and the consequent sanctions on the country's output, and growing demand risks stemming from inflation and a possible recession.

In this increasingly unstable and chaotic situation, many hedge fund managers have decided it is prudent to realise profits from previous long positions and reduce risk exposure until the balance of risks becomes clearer.

Related columns:

- Global diesel shortage raises risk of oil price spike (Reuters, March 11)
- Western economies on brink of recession as Russia sanctions escalate (Reuters, March 8)
- Hedge funds anticipate oil price spike, possible recession (Reuters, March 7)
- Global recession risks rise after Russia invades Ukraine (Reuters, March 4)

John Kemp is a Reuters market analyst. The views expressed are his own

*Editing by Barbara Lewis*