

# The Truth About the Trump Economy



It is becoming conventional wisdom that US President Donald Trump will be tough to beat in November, because, whatever reservations about him voters may have, he has been good for the American economy. Nothing could be further from the truth.

NEW YORK – As the world's business elites trek to Davos for their annual gathering, people should be asking a simple question: Have they overcome their infatuation with US President Donald Trump?

Two years ago, a few rare corporate leaders were concerned about climate change, or upset at Trump's misogyny and bigotry. Most, however, were celebrating the president's tax cuts for billionaires and corporations and looking forward to his efforts to deregulate the economy. That would allow businesses to pollute the air more, get more Americans hooked on opioids, entice more children to eat their diabetes-inducing foods, and engage in the sort of financial shenanigans that brought on the 2008 crisis.<sup>3</sup>

Today, many corporate bosses are still talking about the

continued GDP growth and record stock prices. But neither GDP nor the Dow is a good measure of economic performance. Neither tells us what's happening to ordinary citizens' living standards or anything about sustainability. In fact, US economic performance over the past four years is Exhibit A in the indictment against relying on these indicators.<sup>1</sup>

To get a good reading on a country's economic health, start by looking at the health of its citizens. If they are happy and prosperous, they will be healthy and live longer. Among developed countries, America sits at the bottom in this regard. US life expectancy, already relatively low, fell in each of the first two years of Trump's presidency, and in 2017, midlife mortality reached its highest rate since World War II. This is not a surprise, because no president has worked harder to make sure that more Americans lack health insurance. Millions have lost their coverage, and the uninsured rate has risen, in just two years, from 10.9% to 13.7%.<sup>1</sup>

One reason for declining life expectancy in America is what Anne Case and Nobel laureate economist Angus Deaton call deaths of despair, caused by alcohol, drug overdoses, and suicide. In 2017 (the most recent year for which good data are available), such deaths stood at almost four times their 1999 level.<sup>1</sup>

The only time I have seen anything like these declines in health – outside of war or epidemics – was when I was chief economist of the World Bank and found out that mortality and morbidity data confirmed what our economic indicators suggested about the dismal state of the post-Soviet Russian economy.

Trump may be a good president for the top 1% – and especially for the top 0.1% – but he has not been good for everyone else. If fully implemented, the 2017 tax cut will result in tax *increases* for most households in the second, third, and

fourth income quintiles.

Given tax cuts that disproportionately benefit the ultrarich and corporations, it should come as no surprise that there was no significant change in the median US household's disposable income between 2017 and 2018 (again, the most recent year with good data). The lion's share of the increase in GDP is also going to those at the top. Real median weekly earnings are just 2.6% above their level when Trump took office. And these increases have not offset long periods of wage stagnation. For example, the median wage of a full-time male worker (and those with full-time jobs are the lucky ones) is still more than 3% below what it was 40 years ago. Nor has there been much progress on reducing racial disparities: in the third quarter of 2019, median weekly earnings for black men working full-time were less than three-quarters the level for white men.<sup>3</sup>

Making matters worse, the growth that has occurred is not environmentally sustainable – and even less so thanks to the Trump administration's gutting of regulations that have passed stringent cost-benefit analyses. The air will be less breathable, the water less drinkable, and the planet more subject to climate change. In fact, losses related to climate change have already reached new highs in the US, which has suffered more property damage than any other country – reaching some 1.5% of GDP in 2017.

The tax cuts were supposed to spur a new wave of investment. Instead, they triggered an all-time record binge of share buybacks – some \$800 billion in 2018 – by some of America's most profitable companies, and led to record peacetime deficits (almost \$1 trillion in fiscal 2019) in a country supposedly near full employment. And even with weak investment, the US had to borrow massively abroad: the most recent data show foreign borrowing at nearly \$500 billion a year, with an increase of more than 10% in America's net indebtedness position *in one year alone*.

Likewise, Trump's trade wars, for all their sound and fury, have not reduced the US trade deficit, which was one-quarter higher in 2018 than it was in 2016. The 2018 goods deficit was the largest on record. Even the deficit in trade with China was up almost a quarter from 2016. The US did get a new North American trade agreement, without the investment agreement provisions that the Business Roundtable wanted, without the provisions raising drug prices that the pharmaceutical companies wanted, and with better labor and environmental provisions. Trump, a self-proclaimed master deal maker, lost on almost every front in his negotiations with congressional Democrats, resulting in a slightly improved trade arrangement.

And despite Trump's vaunted promises to bring manufacturing jobs back to the US, the increase in manufacturing employment is still lower than it was under his predecessor, Barack Obama, once the post-2008 recovery set in, and is still markedly below its pre-crisis level. Even the unemployment rate, at a 50-year low, masks economic fragility. The *employment* rate for working-age males and females, while rising, has increased less than during the Obama recovery, and is still significantly below that of other developed countries. The pace of job creation is also markedly slower than it was under Obama.<sup>1</sup>

Again, the low employment rate is not a surprise, not least because unhealthy people can't work. Moreover, those on disability benefits, in prison – the US incarceration rate has increased more than sixfold since 1970, with some two million people currently behind bars – or so discouraged that they are not actively seeking jobs are not counted as “unemployed.” But, of course, they are not employed. Nor is it a surprise that a country that doesn't provide affordable childcare or guarantee family leave would have lower female employment – adjusted for population, more than ten percentage points lower – than other developed countries.

Even judging by GDP, the Trump economy falls short. Last

quarter's growth was just 2.1%, far less than the 4%, 5%, or even 6% Trump promised to deliver, and even less than the 2.4% average of Obama's second term. That is a remarkably poor performance considering the stimulus provided by the \$1 trillion deficit and ultra-low interest rates. This is not an accident, or just a matter of bad luck: Trump's brand is uncertainty, volatility, and prevarication, whereas trust, stability, and confidence are essential for growth. So is equality, according to the International Monetary Fund.

So, Trump deserves failing grades not just on essential tasks like upholding democracy and preserving our planet. He should not get a pass on the economy, either.

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**Oil prices likely to stay  
around \$65-\$70 through 2024**



LONDON (Reuters) – Long-term expectations about oil prices remain firmly anchored around \$65-70 per barrel, according to the latest annual survey of energy professionals conducted by Reuters.

Plentiful supplies from U.S. shale plays and other sources outside the Organization of the Petroleum Exporting Countries are expected to keep prices close to their recent range for the indefinite future.

Fears about peaking oil supplies, common ten years ago, have disappeared; now there are some indications that expectations about peaking oil demand are taking hold.

Brent is forecast to average \$65 per barrel in each of the next five years based on the median, or \$67 this year rising slightly to \$69 by 2024 based on the mean.

Most forecasters expect average prices to remain between \$60 and \$75 per barrel in each of the next five years, with only a very small number expecting them to dip below \$50 or rise above \$90.

The results are based on a questionnaire sent to over 9,000 energy market professionals, with responses received from 950 between Jan. 8 and Jan. 11 ([tmsnrt.rs/2FNjC5J](https://tmsnrt.rs/2FNjC5J)).

Price forecasts are very close to last year's survey and previous years, though in most cases the average has fallen by \$1 or \$2.

In earlier surveys, there was some slight upward drift in price expectations for the out years, but there is no sign of that this year.

Most respondents seem convinced there will be enough oil to meet conceivable demand at around \$65 per barrel in the medium term.

Fewer than 5% thought oil prices would average \$100 or more in 2024, prices that would signal pressure on production, which were once common between 2011 and 2014.

In contrast, nearly 16% of respondents thought prices would average less than \$50, a possible a sign of softening consumption and market saturation as part of the transition away from an oil-based transportation system.

## **OIL INDUSTRY INSIDERS**

Among survey respondents, 26% are involved directly in oil and gas production (exploration, drilling, production, refining, marketing and field services).

Most of the rest are involved in banking and finance (19%), research (11%), professional services (7%), hedge funds (7%), other energy industries (5%) and physical commodity trading (5%).

The results from respondents involved directly in the oil and gas industry were very similar to those in other sectors.

Oil and gas insiders and those outside the industry have more

or less the same views about prices in 2020.

Insiders are marginally more bullish than outsiders for later years, perhaps predicting higher prices will be needed to ensure production growth, but the difference is just \$2 per barrel in 2022, rising to less than \$4 in 2024.

## **EXPECTATIONS ANCHOR**

Last year's survey predicted Brent prices would average \$63 per barrel in 2019, which proved remarkably close to the actual outturn of \$64, based on daily closing prices.

In fact, the survey has been highly accurate since its inception in 2016, with the possible exception of 2018, when prices climbed a bit more than expected.

The main reason for the miss was probably the unexpected severity of U.S. sanctions on Iran, coupled with Saudi Arabia's restrictive output policy and an acceleration in global growth.

In this year's survey, as with previous versions, respondents exhibit more certainty about prices this year and next compared with the out-years, which is natural given that uncertainty tends to increase over longer time horizons.

Responses for 2020-2021 are tightly clustered, while expectations for 2023-24 exhibit more variation. Even so, very few respondents expect average prices to fall below \$50 or rise above \$90 at any point in the next five years.

Response clustering has been increasing in recent surveys, suggesting the anchoring of long-term expectations around the \$65-70 per barrel level is becoming stronger.

The longer prices trade around the \$65-70 level, with production and consumption roughly in balance, the more expectations are becoming cemented around this level.



Over the last 27 months, since the start of November 2017, Brent prices have closed between \$60 and \$75 per barrel on 74% of all trading days, with just 10% of closes below this level and \$16% above it.

Overall, most respondents expect the oil market to remain comfortably supplied in the foreseeable future, with prices oscillating around the current level and relatively moderate volatility.

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## Putin's pipelines to power



Over the last year, predictions of serious struggles for Russian President Vladimir Putin – or even his political demise – have been increasingly frequent. A recent article in *The Economist*, “An awful week for Vladimir Putin,” is just one example. But it is Putin biographer and *New York*

*Times* correspondent Steven Lee Myers whose assessment rings most true: "Putin," Myers has repeatedly said to me, "always wins."

Maybe "always" isn't quite true. Russia's economy is expected to grow by only 1% this year, owing to lagging export diversification, large-scale capital flight, and low levels of foreign direct investment linked to Western sanctions imposed after the country's 2014 annexation of Crimea. As a result, Putin's approval rating has declined somewhat from its annexation-fueled high of 83% in July 2014.

But 61% of Russians still rate Putin's performance positively. Most democratic leaders can only dream of such favor with the public. Fewer than 43% of Americans approve of President Donald Trump, for example. In fact, the same incoherent and combative US policies toward Europe, China, Turkey, and others that have contributed to Trump's unpopularity have fueled Putin's popularity, by handing him a series of tactical victories.

For example, a lack of effective US engagement in Syria has pushed Turkey into Russia's arms. In particular, in October 2015, the United States withdrew its Patriot missiles from southeastern Turkey, which had been deployed after the country appealed to its NATO allies to guard against missile threats from neighboring Syria. In 2017, the US offered to sell Turkey Patriot missiles, but without the underlying technology.

So Turkey reached a multibillion-dollar arms deal with Russia instead, despite the outrage of its NATO partners. (Beyond Putin's approval ratings, America's self-proclaimed master deal-maker Trump should envy his Russian counterpart's negotiating skills.) In retaliation for Turkey's decision to acquire Russian S-400 missile systems, the US has threatened sanctions and blocked Turkey from obtaining F-35 stealth fighters, suspending the country's participation in a program to build them.

But Turkey knows that it is Russia, not the US, that is shaping the Syria conflict, and will play a leading role in the country's potentially lucrative reconstruction effort, making it a much more desirable partner there. Strengthening the bilateral relationship further, Putin and Turkish President Recep Tayyip Erdoğan are about to inaugurate the TurkStream gas pipeline connecting their two countries.

Russia has also launched a massive new gas pipeline project with China, worth \$400 billion over 30 years, and is negotiating another. Here, too, the Trump administration's actions – in particular, its bitter (and self-defeating) trade war against China, which may well continue, despite the two countries' recent "phase one" agreement – created a lucrative opening that Putin was quick to seize.

The pipeline project, according to Putin, takes bilateral "strategic cooperation in energy to a qualitative new level" and supports progress toward the goal, set with Chinese President Xi Jinping, "of taking bilateral trade to \$200 billion by 2024" – the year Putin's "final" presidential term ends. Perhaps he hopes that the fruits of such engagement will strengthen his position enough to enable him to remain in power, whether as president or in another position, such as security chief, endowed with greater powers.

Putin has picked up another gas-related win with regard to Ukraine, whose national oil and gas company Naftogaz just received a \$2.9 billion payment from Russia's Gazprom to settle a 2017 Stockholm arbitration ruling. The financial settlement was part of a larger deal between the two companies: a five-year plan, starting January 1, to ship Russian gas to Europe through Ukrainian pipelines. Naftogaz also agreed to drop another lawsuit against Gazprom.

Although fears of being under Putin's thumb fueled the protests that ousted Ukraine's pro-Russian president, Viktor Yanukovich, in 2014 – leading directly to Russia's annexation

of Crimea and Russia-backed separatists' takeover of eastern Ukraine – the fear of confronting Russia alone is even greater. And, with Ukraine at the center of Trump's just-concluded impeachment by the US House of Representatives and upcoming trial in the Senate, the US cannot be considered a reliable partner.

This doesn't mean Ukrainian President Volodymyr Zelensky is going to roll over for Russia. He agreed with the Kremlin on an exchange of 200 prisoners in the ongoing war in eastern Ukraine – the second prisoner exchange this year. The recent pipeline deal can also be considered a win for Ukraine: Gazprom had previously insisted on a one-year deal, because it already has the Nord Stream-1 pipeline, which crosses the Baltic Sea to Germany, and will soon complete Nord Stream-2.

But Russian negotiators eased their position, perhaps partly in the hope of easing resistance to the Nord Stream project. That resistance includes sanctions, included in the 2020 US defense budget, on companies working on Nord Stream-2, which the US argues would give Russia too much leverage over America's European allies, as well as those working on TurkStream.

It is not just Russia that wants Nord Stream to work. Germany, the main recipient of the Russian gas, argues that its energy policy should be decided in Europe, not the US. When a Swiss contractor obediently (if reluctantly) suspended its work in response to the sanctions, the Germans immediately suggested that they would find another way to complete the work as soon as possible.

Russian officials echoed this sentiment, noting that Gazprom has already lined up other companies prepared to take over. There is "nothing to worry about," claims Prime Minister Dmitry Medvedev, especially given the gas-transit arrangement with Ukraine. As in the Middle East and China, Putin knows that a moment when Europe's relationship with the US is

severely strained is the ideal time to strengthen its position *vis-à-vis* its neighbor.

Putin may not have a winning long-term strategy to save Russia's economy, but his pipeline politics have led to a series of impressive foreign-policy victories. This approach may give him enough prestige to continue his long winning streak.

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## Climate change and gender top aid agencies' 2020 to-do list



We asked 10 organisations which two key issues they would focus on in the coming year

By Emma Batha

LONDON, Dec 30 (Thomson Reuters Foundation) – Tackling climate change and addressing violence against women and girls will be

among aid agencies' top priorities for 2020, they told the Thomson Reuters Foundation.

We asked 10 organisations which two key issues they would focus on in the coming year.

CARE INTERNATIONAL – Natasha Lewis, senior advocacy & policy advisor

- We'll work with communities to address the climate crisis, as it's the biggest challenge facing us today. We'll focus on supporting women in particular, as they're often responsible for farming their fields, collecting water and feeding families – meaning they're increasingly affected by more extreme droughts or floods.
- We'll champion the crucial role women play as first responders in humanitarian emergencies. We'll advocate alongside local women's rights organisations, so they are heard by decision-makers at a global level.

U.N. WORLD FOOD PROGRAMME – Corinne Woods, director of communications

- Work with our partners to help those caught up in conflict and struggling on the frontlines of the climate crisis – war and climate shocks now account for the world's eight worst food crises.
- Build a global coalition promoting initiatives such as school feeding so as to unleash the full potential of 73 million vulnerable children in 60 countries by 2030. It's estimated every dollar invested in school feeding brings a \$3-10 return from improved health and education among schoolchildren and increased productivity when they become adults.

INTERNATIONAL RESCUE COMMITTEE – Laura Kyrke-Smith, IRC UK executive director

- Women and girls are often left behind in the context of crises. In 2020, the international community must redouble its efforts to prevent and respond to violence against women and girls.
- Resolving the conflict in Yemen has never been more urgent. At the current rate of decline, it will take 20 years to return Yemen to pre-crisis levels of child hunger. Now is the time to seize this opportunity for peace.

CHRISTIAN AID – Patrick Watt, director of policy

- Our key focus will be on climate justice because it's those people living in poverty who are on the frontline of the climate crisis. We want to raise our voices to create lasting change for those who need it most.
- We'll also be working on economic justice because our current economic system is broken. This is driving inequality, poverty and climate breakdown at a time when progress is slipping towards the 2030 goal of ending extreme poverty.

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES – Elhadj As Sy, IFRC secretary general

- Millions of people around the world are already suffering the humanitarian consequences of climate change. Our priority will be helping communities find innovative, low-cost, and sustainable adaptation and risk reduction measures to the impacts of climate change.
- We will also scale up and ensure early mental health and psychosocial support in humanitarian crises. Mental health and psychosocial support during humanitarian crises can make the difference between life and death.

U.N. FOOD AND AGRICULTURE ORGANIZATION – Dominique Burgeon, director of emergencies

- Scale up our efforts to engage with agriculture-reliant communities and boost their resilience before shocks like droughts or floods hit, via our “Early Warning for Early Action” initiative. This can prevent a shock from becoming a crisis and is far more cost-efficient than post disaster relief.
- Respond rapidly in emergency situations from the earliest days of a disaster or crisis to help impacted rural farming families stay or get back on their feet and producing food, straight away. Even in crises contexts, it’s possible to do this, and doing so makes a real difference.

ACTIONAID UK – Girish Menon, chief executive

- All too often, there’s no justice for women and girls affected by violence so we’ll campaign to fix broken justice systems that protect abusers and punish women. As we continue to see rollbacks in women’s rights, we will keep calling out gender inequality and violence.
- We’ll work harder to promote women’s leadership in communities facing humanitarian crisis. Experience shows us that their influence leads both to better immediate responses and to longer term impact.

OXFAM GB – Danny Sriskandarajah, chief executive

- The climate emergency is pushing millions of people deeper into hunger and poverty, with more than 52 million across 18 African countries facing hunger due to extreme weather. 2020 will be a pivotal year for countries to agree carbon emissions reductions and secure funding to help poorer nations cope.
- Next year marks five years since the escalation in the Yemen conflict. We’ll continue to provide assistance to millions without food, clean water and health care, as well as challenging international arms sales to members of the Saudi-led coalition.



PLAN INTERNATIONAL – Sean Maguire, executive director of influencing

- A key focus in 2020 is supporting global grassroots youth activism for gender equality through Girls Get Equal. Through this campaign, we aim to continue helping young people smash the stereotypes that hold girls back.
- Our other key focus is on tackling the unique needs of girls in crisis situations, whether this is the safety and educational needs of girls in refugee camps, as part of displaced groups or due to drought, for example in Eastern Africa.

CATHOLIC RELIEF SERVICES – Sean Callahan, president and CEO

- Climate change is causing land degradation and flooding. We are working on land restoration, which can help mitigate climate change impacts for farmers and coastal communities, but it needs to be done quickly and at scale.
- Another priority is responding to the crisis in Central America where people have become increasingly vulnerable and unable to feed their families. We foresee drought conditions, in addition to tremendous violence, continuing to force many to make the dangerous trip northward.

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**Greece, Cyprus, Israel sign  
EastMed pipeline deal**



Greece, Cyprus and Israel yesterday signed an agreement for a huge pipeline project to ship gas from the eastern Mediterranean to Europe. The 2,000km (1,200-mile) EastMed pipeline will be able to carry between nine and 12bn cubic metres of gas a year from off shore reserves held by Israel and Cyprus to Greece, and then on to Italy and other southeastern European countries. The discovery of hydrocarbon reserves in the eastern Mediterranean has sparked a scramble for the energy riches.

Greek Prime Minister Kyriakos Mitsotakis, Israeli Prime Minister Benjamin Netanyahu and Cypriot President Nicos Anastasiades joined the ceremony at which their respective energy ministers signed the deal in the Greek capital. The EastMed project is expected to make the three countries key links in Europe's energy supply chain. The EastMed alliance "is of enormous importance to the state of Israel's energy future and its development into an energy power and also from the point of view of stability in the region," Netanyahu said in a statement issued as he left Israel for Greece yesterday. Mitsotakis said the pipeline was of "geo-strategic importance" and would contribute to regional peace. Earlier, Greek Energy Minister Kostis Hatzidakis called it "a project of peace and

co-operation”.

Anastasiades said his aim was “co-operation and not rivalry in the Middle East.” Avinoam Idan, a former Israeli government security official who is now a geostrategy expert at Haifa University, said of the deal: “It’s important for Israel, it’s important for the transit countries, Greece and Cyprus, and of course Europe.” As the new source of energy would not compete with Russian supplies to the EU, “there is no reason to see it as a big change in the geopolitical dynamic in Europe’s energy market,” he told AFP. The Greek economic daily Kathimerini said on Wednesday that Athens and Nicosia had been in a hurry to finalise EastMed so as “to counter any attempt to stop the project.” The cost of the installation from the eastern Mediterranean to Italy is estimated at €6.0bn (\$6.7bn).

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**New era of offshore gushers  
portends flood of oil amid  
glut**



The world's most-ambitious oil drillers are opening a new exploration frontier at perhaps the worst possible time.

With a slew of large discoveries off South America's northeast coast, Exxon Mobil Corp, Hess Corp, Apache Corp and their partners are set to unleash new supplies onto global markets increasingly awash in crude.

Apache is the latest American driller to surprise investors with a significant discovery in coastal waters near the Suriname-Guyana border. The Houston-based explorer may have tipped its hand that something big was coming when it brought France's Total SA on board as a partner in the endeavour just weeks before Tuesday's announcement. Nonetheless, Apache's stock surged 27% for the biggest one-day advance in at least 40 years.

"It's pretty remarkable when you think about the larger landscape in which these new supplies will come online," said Gianna Bern, a former BP Plc oil trader who teaches finance at the University of Notre Dame. "At the same time, Apache and companies like that tend to assume very low prices before development so that the economics will be favorable" regardless of market fluctuations.

Although it could be years before the Suriname find comes online, the discovery comes at a time when traders already are

bracing for the biggest influx from non-Opec producers in at least 15 years, according to JBC Energy.

The rally in Apache shares is a vote of confidence from holders that chief executive officer John Christmann's management team can pump that oil so cheaply that it will turn a profit even if crude collapses to \$30 or \$25 a barrel, said Bern, author of *Investing in Energy: A Primer on the Economic of the Energy Industry*.

Hess enjoyed just such a boom last year when investors boosted the shares 65% because of the oil producer's role as a junior partner in Exxon Mobil Corp's staggering discoveries off Guyana.

Guyana and Suriname are not alone. New supplies are flowing, or will be shortly, from new wells in Norway, Canada, Mexico, Brazil and Colombia, Bern said. Brazil alone is forecast to add 200,000 to 300,000 barrels of daily supply this year, and only US shale is expected to expand at a faster rate, said Fernando Valle, an analyst at Bloomberg Intelligence.

Outside the Organization of Petroleum Exporting Countries, output of crude and byproducts known as gas liquids will increase by 2mn barrels a day this year, swamping the 1.2mn-barrel growth forecast, according to IHS Markit.

Brazil and Guyana alone are set to add more than 400,000 barrels of combined daily supplies to the market this year, a volume that would offset most of the auxiliary cuts agreed to by Opec and its allies in late 2019, said Stephen Beck, the Houston-based senior director of upstream at Stratas Advisors. "We've been in a situation where too much supply is chasing too little demand since 2013," said Jim Burkhard, vice president and head of oil market at IHS. "2020 is shaping up to be the same way."

The wild card, though, is what transpires with Iraqi production in the aftermath of the US assassination of a top Iranian general, Burkhard said.

As Opec's second-largest producer, any disruption to Iraqi output could upend markets. Crude futures surged above \$70 a barrel in London on Monday on concern the attack would spark a

wider conflict. Still, they remain almost 10% off the 2019 high touched in April.

In past decades, new discoveries weren't viewed as an imminent threat to the supply-demand balance because they took upwards of a decade to bring into production. But technological advances now allow explorers to turn discoveries into producing assets in half that span, upsetting old maxims about the time horizons for new supplies.

Relative to shale fields or conventional onshore wells, offshore projects tend to be more resilient to volatile price movements because once the initial construction is finished, operational costs are so slim that "oil would have to get under \$10 a barrel before they'd shut them in," said Jim Krane, a fellow at Rice University's Center for Energy Studies in Houston.

"Once the ball is rolling, you plow full steam ahead. Damn the oil price," Krane said. "Clearly that's what's happening in Guyana."

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## **Russia halts oil to Belarus, but transit to Europe still flowing**



MINSK/MOSCOW (Reuters) – Russia has halted oil supplies to refineries in Belarus, the Belarusian state energy firm said on Friday, amid a new contract dispute that is also threatening large Russian oil deliveries to Western Europe crossing the country.

Belarus's state firm Belneftekhim said deliveries had been halted as of Jan. 1.

Two trading sources told Reuters Russian oil transit to Europe via Belarus was so far continuing uninterrupted.

A Russian industry source familiar with the discussions said Russia could agree to a short-term supply deal with Belarus in the coming days. Supplies would come from small Russian firms until a new, longer-term deal is agreed, the source said.

Europe receives around 10% of its oil via the transit link, known as the Druzhba pipeline, which can supply more than 1 million barrels per day to countries including Germany, Poland, Slovakia, Hungary and the Czech Republic.

Moscow and Minsk have had several oil and gas spats over the

past decade, in what has been described as a love-hate relationship between presidents Vladimir Putin and Alexander Lukashenko.

Putin and Lukashenko have repeatedly toyed with the idea of political integration of the countries, but the autocratic Belarusian leader who came to power in 1994 has backtracked repeatedly.

Russia has cut subsidies to Belarus over many years and is now charging close to international prices for oil and gas, but contracts negotiations are often protracted.

“Deliveries have been suspended ... Plants are reducing their workload to the technical minimum,” a spokesman for Belneftekhim said.

Russian pipeline operator Transneft (TRNF\_p.MM) said Russian oil companies have not sent any oil to Belarus since Jan. 1, the TASS news agency reported.

“Since Jan. 1, we have not had any applications from oil companies to deliver to Belarusian refineries. However, oil transit through Belarus is continuing in full volumes,” Transneft spokesman Igor Dyomin was quoted as saying.

It was not clear when Moscow and Minsk could resume talks on their 2020 contract. Russia is on a New Year holiday until Jan. 9.

Belneftekhim said on Friday it had temporarily suspended the export of petroleum products as it was lacking the oil. It said it would ultimately fulfill its contractual obligations but did not say how. It also said it had enough petroleum product reserves to supply its domestic market in January and beyond.

Belarus exports around 12 million tonnes of petroleum products annually, primarily to Ukraine and Poland, data from state



statistics agency Belstat showed.

In the first 11 months of 2019, imports from Belarus made up 35% of Ukraine's diesel fuel market and 36% of its petrol market, according to Ukrainian consulting group A-95.

Reporting by Andrei Makhovsky in MINSK, Olga Yagova and Gleb Gorodyankin in MOSCOW, Pavel Polityuk in

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## **New 'smart cities' seen contributing heavily to Qatar's realty development**



The emergence of new smart cities in Qatar as part of urban development is “contributing heavily” to the advancement of real estate to “record levels” even on a global scale, a new report has shown.

The new urban communities such as Msheireb Downtown Doha,

Lusail City and The Pearl-Qatar are witnessing a “powerfully built” infrastructure, in addition to the “substructure technologies” that equip the smart cities with competitive qualities, Ezdan Real Estate noted.

Smart city models are becoming a “tangible reality” in Qatar, it said.

Lusail now is known as the ‘City of Future’ in Qatar. It is currently being developed and equipped with smart infrastructure at a cost of \$45bn, Ezdan noted.

“The project provides a high-tech operating environment that includes telecommunications networks, to ensure the provision of advanced services,” the report said.

The report pointed out that smart cities are fast becoming a growing global trend. They seek to “integrate digital technology into real estate management in order to improve the efficiency of operations and services, promote diversity and sustainable economic growth, and enhance public services and quality of life for citizens, expatriates and visitors in Qatar.”

On real estate activities in Qatar between December 29 and January 2, the report cited data from the Ministry of Justice’s Real Estate Registration Department and said some 51 property sale transactions were concluded at an approximate value of QR467mn.

These were distributed across seven municipalities in Qatar: Umm Salal, Al Khor, Al Thakhira, Doha, Al Rayyan, Al Shamal, Al Daayen and Al Wakrah.

The transactions included “land lots, buildings, multi-use buildings, multi-use land lots, and residential premises.”

Doha topped in terms of deal value through the sale of a residential premise in Al Messila spreading over 19,225 sq m at a price of QR882/sq ft, totalling QR182.5mn.

Doha Municipality also ranked second in terms of value through the sale of a mixed-use land plot spreading in excess of 12,541 square meters in Lusail, worth QR87.7mn, at QR650/sq ft.

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# Coal's Familiar Foes Set to Pull Down Prices in Europe This Year



European coal faces another depressing year as natural gas floods the region and clean-energy policies reduce demand for the dirtiest fossil fuel.

Coal use across seven European economies fell to historic lows last year, pushing benchmark rates down by almost a third to \$62 a ton. The prospects for 2020 are looking equally bleak, with analysts from S&P Global Platts and Capital Economics predicting prices plunging to the \$50 mark, the lowest in four years.

It's the latest indication that the economics for burning coal

have collapsed in little more than a year since the commodity hit \$100 a ton. Europe's goal of zeroing out carbon emissions by the middle of the century along with ever-cheaper wind and solar power and falling gas prices all point to drastic reductions for generators that burn coal.

"Although we saw coal generation pushed to minimum levels in the second half of 2019, it should fall again year-on-year in the first half of 2020 due to low gas and stable carbon pricing," said Joe Aldina, S&P Global Platts' head of coal analytics.

For most of last decade it was more profitable to burn coal than gas in Germany, Europe's biggest economy. That relationship was turned on its head last year as imports of liquefied natural gas and mild weather pushed down prices for the cleaner fuel, encouraging utilities to switch away from coal.

Dark spreads indicating the theoretical profit for burning coal to make power in Germany have been falling further behind spark spreads for using gas. The trend, according to Bloomberg analytics, becomes especially acute later this year.

## **Gas Glut**

Part of the reason is the abundance of natural gas. Ample flows from pipelines along with near-record levels of LNG shipments arriving in Europe have left storage sites brimming.

The gas glut may worsen after last month's deal between Russia and Ukraine to keep gas flowing to Europe. Construction of another direct route to Europe, the Nord Stream 2 pipeline to Germany, is expected to finish this year even though the U.S. imposed sanctions on the project.

"The gas transit agreement between Russia and Ukraine and soon-to-be completed Nord Stream 2 pipeline, allied with the prospect of higher U.S. LNG exports means that the European

market will be awash with gas supplies in 2020,” said Franziska Palmas, assistant economist at Capital Economics.

While European year-ahead coal prices have slumped, the penalty for using the fuel has increased as the cost of carbon emission permits surged five-fold since 2017. At the same time, benchmark month-ahead gas contracts have slumped to 42% below the 10-year seasonal average.

“I don’t expect coal to fall below \$50,” said Elchin Mammadov, an analyst at Bloomberg Intelligence in London. “Which is why I don’t think there will be gas-to-coal switching. If anything, it’ll be the other way round given that gas will likely stay cheap throughout the year.”

The pessimistic outlook for coal view is not unanimous. Perret Associates expects a global surplus of the commodity to swing into deficit by the end of this year as India and countries in the Pacific Rim region make up for a drop in demand in Europe.

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**Top quality oil sold near \$100 a barrel on new ship fuel rules**



Just shy of \$100 a barrel – that’s the cost of a type of crude that’s become prized thanks to the scramble for cleaner-burning fuels.

Australia’s Santos Ltd. this week sold a cargo of March-loading Pyrenees, a dense and low-sulfur oil, at a premium of about \$31 a barrel over Dated Brent, according to traders who took part in the tender. That’s the equivalent to just under \$100 a barrel given that the global benchmark is trading at about \$65.

Demand for so-called heavy-sweet oil like Pyrenees has surged in recent months due to cleaner global ship-fuel standards, known as IMO 2020, which took effect Jan. 1. The new rules have boosted the value of these crudes that are low in sulfur and also viscous, which makes them better for marine engines. Low-sulfur marine fuel, another IMO compliant type of oil, cost about \$640 a ton this week in Singapore, the equivalent of about \$95 a barrel.

Santos had sought a target price of \$32 a barrel or more over Dated Brent, according to traders. The company has a minority stake in the Pyrenees project, which it acquired through its 2018 purchase of Quadrant Energy.

“New IMO 2020 environmental regulations for shipping bunker fuel are driving the low-sulfur fuel oil market,” a Santos spokeswoman said in an emailed statement. “Heavy sweet crudes like those from our Van Gogh and Pyrenees fields are well suited for fuel oil blending to meet the new environmental requirements and are currently in very high demand.”

Pyrenees is also particularly valued because of its relative scarcity, with production of about 15,000 barrels a day pumped from fields off Western Australia, according to BHP Group, the majority owner and operator. A cargo to load this month was sold in November at more than \$17 a barrel over Dated Brent. Another Australian heavy-sweet crude, Van Gogh, sold at a premium of as high as \$19 to Dated Brent in December.