Greek banks face higher costs post-bailout as ECB ends waiver

Bloomberg/Athens

Greek lenders face higher financing costs after the European Central Bank said it will stop accepting the country’s government debt as collateral from August 21, the day after the nation’s bailout programme ends.
The ECB will remove a waiver exempting Greek bonds from a rule that all collateral must be investment grade. The exemption was conditional on Greece being compliant with an aid programme.
With Greek debt rated below investment grade by all rating companies, banks will have to replace as much as €3.5bn ($4bn) of their liquidity with more expensive facilities, according to a person familiar with the matter.
The expectation is that lenders will turn to the interbank market and to the Greek central bank’s Emergency Liquidity Assistance, the person said, asking not to be named because

the information is confidential. Greek ELA carries an interest rate 1.5 percentage points higher than the ECB’s main refinancing rate, which is currently at zero.

“The Governing Council has decided that from 21 August 2018, the Eurosystem’s standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Hellenic Republic,” an ECB statement said.

Greece is trying to stand on its own feet again after a decade of financial crises, more than €300bn in aid commitments from the euro area and International Monetary Fund. It remains Europe’s most indebted country though, and the economy is still struggling to recover from losing more than a quarter of its output.

Yields on Greek bonds are rising again, with the 10-year note at about 4.2%, the highest since June 21 when euro-area finance ministers agreed on further debt-relief measures.

The ECB’s waiver had been in place since June 2016. An earlier exemption was suspended in February 2015 when the newly elected government said it wouldn’t meet the terms of the bailout program it inherited. The political wrangling that year almost saw Greece forced out of the currency bloc.

Bank of Greece governor Yannis Stournaras had repeatedly called for the government to apply for a precautionary credit line after the bailout. That could have allowed the waiver to be extended, and may have helped Greece gain access to the ECB’s quantitative-easing programme.

Russia loses bulk of WTO

challenge to EU gas pipeline rules

GENEVA (Reuters) – Russia largely failed in its bid to overturn the European Union’s gas market rules in a World Trade Organization ruling published on Friday.

A World Trade Organization (WTO) logo is pictured on their headquarters in Geneva, Switzerland, June 3, 2016. REUTERS/Denis Balibouse

Russia launched the dispute in 2014, claiming that the EU’s “Third Energy Package” and the EU’s energy policy overall unfairly restricted and discriminated against Russia’s gas export monopoly Gazprom (GAZP.MM).

Russia argued that the EU broke WTO rules by requiring the “unbundling” of gas transmission assets and production and supply assets, which effectively stopped Gazprom – long the major supplier of gas to Europe – from owning the pipelines through which it sent gas to the European market.

Russia said the EU had unfairly discriminated in favor of liquefied natural gas and upstream pipeline operators by exempting them from those unbundling requirements.

The panel of three WTO adjudicators ruled against Russia on those points.

However, they upheld Russia’s complaint about an unbundling exemption for Germany’s OPAL pipeline, granted on condition that Gazprom supplied no more than 50 percent of the gas in the pipeline.

The 50 percent cap could only be exceeded if 3 billion cubic meters of gas was released annually at a fixed price to competing suppliers on the Czech market.

The WTO panel also agreed that Croatia, Hungary and Lithuania had discriminated against Russia by requiring a security of energy supply assessment for foreign, but not domestic, pipeline operators.

The European Commission called the ruling an important positive outcome that secured the core elements of the Third Energy Package, a 2009 reform that sought to integrate the EU’s energy market while increasing competition.

“The Commission will now analyze the ruling in detail, in particular as regards a limited number of issues on which the WTO-compatibility of EU energy policy has still not been recognized,” it said in a statement.

Russia’s Economy Ministry said the parts of the ruling that went in its favor would help to improve access for Russian gas on the European market, and to level the playing field for pipeline service providers.

“This is a positive precedent that makes it possible to change the norms that created obstacles for Russian suppliers in the

EU market, both in EU legislation and in the legislation of its individual member countries,” it said in a statement.

Gazprom said it had always said that European energy policy should take gas suppliers’ interests into account, and therefore it was satisfied with the points where Russia had won.

Either side can appeal within 60 days.

Reporting by Tom Miles, additional reporting by Polina Ivanova, Ekaterina Golubkova and Foo Yun Chee; Editing by Matthew Mpoke Bigg

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— ECB. To see the full decision, click here

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Greece’s Bailouts Are Over But Its Debt Pile Remains: QuickTake

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– With assistance by Piotr Skolimowski

‘Toshiba in talks to sell Freeport LNG business’

Toshiba Corp is off ering to sell its right to liquefy gas at the Freeport LNG Development project in the US and has received interest from companies including PetroChina Co, Jera Co and Tellurian Inc among others, the Nikkei reported. Toshiba has invited tenders for the project’s sale, the Nikkei reported, citing people it didn’t identify. The business has the right to process US shale gas into LNG and sell 2.2mn tonnes annually over two decades starting next year, according to the article. Toshiba is considering various options to mitigate risks but nothing has been decided as yet, spokeswoman Midori Hara said. Jera isn’t aware of the tender and isn’t in talks with Toshiba for the US LNG contract, Tsuyoshi Shiraishi, a spokesman for Jera said by phone. The Japanese conglomerate believes now is the time to sell the LNG business because of a recovery in LNG prices, the Nikkei reported.

Cheniere signs 25-year LNG sales deal with Taiwan’s CPC

Aug 11 (Reuters) – Cheniere Energy Inc said on Friday it had signed a 25-year deal to supply liquefied natural gas to Taiwan’s CPC Corp, which CPC valued at roughly $25 billion.

Cheniere said it will sell 2 million tonnes of LNG per annum on a delivered basis to the state-owned oil and gas company, starting in 2021. It said the purchase price will be pegged to the Henry Hub monthly average, plus a fee.

A CPC spokesman valued the deal at $25 billion, based on current prices.

Cheniere operates the Sabine Pass LNG terminal in Louisiana and is building the Corpus Christi LNG plant in Texas. The deal, which is through Cheniere Marketing, is not tied to a particular liquefaction train. (Reporting By Jess Macy Yu in Taipei and Julie Gordon in Vancouver; Additional reporting by Henning Gloystein; Editing by Neil Fullick)

PetroChina planning temporary halt of US LNG buying

PetroChina Co may tempo- rarily halt purchases of spot US liquefi ed natural gas spot cargoes through the winter to avoid potential tariff s amid a trade confl ict between the US and China, according to sources with knowledge of the strategy. Under the plan, PetroChina would boost buying of spot car- goes from other countries or swap US shipments with other nations in East Asia to avoid paying addi- tional tariff s, said the people, who asked not to be identifi ed because the information isn't public. PetroChina, a unit of the state-owned China National Petroleum Corp, couldn't immediately com- ment when contacted by Bloomb- erg. China said last week that it was considering a 25% tariff on US LNG, which had been missing from previously targeted goods, in a di- rect hit to American gas exporters. The move comes ahead of the winter heating season when de- mand and prices typically peak and shows that Chinese President Xi Jinping may be willing to suffer some pain to avoid backing down from US President Donald Trump’s trade dispute. PetroChi- na in February signed a 25-year deal to buy US LNG from Cheniere Energy Inc, with a portion of that supply expected to start this year. While China is currently the third- largest buyer of US LNG, American cargoes only made up about 5.7% of its imports over the last year, according to Sanford C Bernstein & Co. China’s proposed tariff may temporarily benefi t other suppliers, US Department of Energy Deputy Secretary Dan Brouillette said in an interview in Tokyo on Wednesday, noting that he doesn’t expect any detrimental impact to the US energy industry.

Globalisation with Chinese characteristics

By Barry Eichengreen/Berkeley

US President Donald Trump’s erratic unilateralism represents nothing less than abdication of global economic and political

leadership.
Trump’s withdrawal from the Paris climate agreement, his rejection of the Iran nuclear deal, his tariff war, and his frequent attacks on allies and embrace of adversaries have rapidly turned the United States into an unreliable partner in upholding the international order.
But the administration’s “America First” policies have done more than disqualify the US from global leadership.
They have also created space for other countries to re-shape the international system to their liking.
The influence of China, in particular, is likely to be enhanced.
Consider, for example, that if the European Union perceives the US as an unreliable trade partner, it will have a correspondingly stronger incentive to negotiate a trade deal with China on terms acceptable to President Xi Jinping’s government.
More generally, if the US turns its back on the global order, China will be well positioned to take the lead on reforming the rules of international trade and investment.
So the key question facing the world is this: what does China want? What kind of international economic order do its leaders have in mind?
To start, China is likely to remain a proponent of export-led growth.
As Xi put it at Davos in 2017, China is committed “to growing an open global economy.” Xi and his circle obviously will not want to dismantle the global trading system.
But in other respects, globalisation with Chinese characteristics will differ from globalisation as we know it.
Compared to standard post-World War II practice, China relies more on bilateral and regional trade agreements and less on multilateral negotiating rounds.
In 2002, China signed the Framework Agreement on Comprehensive Economic Co-operation with the Association of Southeast Asian Nations.
It has subsequently negotiated bilateral free-trade agreements

with 12 additional countries.
Insofar as China continues to emphasise bilateral agreements over multilateral negotiations, its approach implies a diminished role for the World Trade Organisation (WTO). The Chinese State Council has called for a trade strategy that is "based in China's periphery, radiates along the Belt and Road, and faces the world." This suggests that Chinese leaders have in mind a hub-and-spoke system, with China the hub and countries on its periphery the spokes.
Others foresee the emergence of hub-and-spoke trading systems centred on China and also possibly on Europe and the United States – a scenario that becomes more likely as China begins to re-shape the global trading system.
The government may then elaborate other China-centred institutional arrangements to complement its trade strategy.
That process has already begun.
The authorities have established the Asian Infrastructure Investment Bank, headed by Jin Liqun, as a regional alternative to the World Bank.
The People's Bank of China has made $500bn of swap lines available to more than 30 central banks, challenging the role of the International Monetary Fund.
Illustrating China's leverage, in 2016 the state-run China Development Bank and Industrial and Commercial Bank of China provided $900mn of emergency assistance to Pakistan, helping its government avoid, or at least delay, recourse to the IMF.
A China-shaped international system will also attach less weight to intellectual property rights.
While one can imagine the Chinese government's attitude changing as the country becomes a developer of new technology, the sanctity of private property has always been limited in China's state socialist system.
Hence intellectual property protections are likely to be weaker than in a US-led international regime.
China's government seeks to shape its economy through subsidies and directives to state-owned enterprises and others.

Its Made in China 2025 plan to promote the country’s high-tech capabilities is only the latest incarnation of this approach.
The WTO has rules intended to limit subsidies.
A China-shaped trading system would, at a minimum, loosen such constraints.
A China-led international regime would also be less open to inflows of foreign direct investment.
In 2017, China ranked behind only the Philippines, Saudi Arabia, and Indonesia among the 60-plus countries rated by the OECD according to the restrictiveness of their inward FDI regimes.
These restrictions are yet another device designed to give Chinese companies space to develop their technological capabilities.
The government would presumably favour a system that authorises other countries to use such policies.
In this world, US multinationals seeking to operate abroad would face new hurdles.
Finally, China continues to exercise tight control over its financial system, as well as maintaining restrictions on capital inflows and outflows.
While the IMF has recently evinced more sympathy for such controls, a China-led international regime would be even more accommodating of their use.
The result would be additional barriers to US financial institutions seeking to do business internationally.
In sum, while a China-led global economy will remain open to trade, it will be less respectful of US intellectual property, less receptive to US foreign investment, and less accommodating of US exporters and multinationals seeking a level playing field.
This is the opposite of what the Trump administration says it wants.
But it is the system that the administration’s own policies are likely to beget. – Project Syndicate

* Barry Eichengreen is professor of Economics at the

University of California, Berkeley, and a former senior policy adviser at the International Monetary Fund. His latest book is The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era.

Ambassador of Ukraine, President of Qatar Petroleum discuss cooperation in energy sector

Ambassador of Ukraine to the State of Qatar Yevhen Mykytenko in the city of Doha on August 7 held a meeting with Mr. Saad Sherida Al-Kaabi, President and CEO of Qatar Petroleum, the press service of the Ukrainian Embassy reports.

“The parties reviewed bilateral cooperation in the energy sphere, particularly possibilities of supplying of hydrocarbons to Ukraine,” reads the report.

The Ambassador invited representatives of Qatar Petroleum to take part in the XVI International Forum "Fuel and Energy Complex of Ukraine: Present and Future", which will be held in Kyiv from November 6 to 8.

Hydrocarbon raw materials are oil, natural gas (including oil, associated gas), gas condensate, which are marketable.

Poland buys more LNG, reduces reliance on Russian gas

WARSAW, Aug 3 (Reuters) – Poland's dominant gas firm PGNiG said on Friday that its LNG purchases from Qatar and elsewhere jumped by 60 percent in January-July from a year earlier, as the country diversifies its sources to reduce reliance on Russian gas.

PGNiG has to buy certain amounts of gas annually from Russia under a long-term deal with Russia's Gazprom, which expires in 2022 and which Warsaw has said will not be renewed.

In the first seven months of this year, PGNiG's imports from Gazprom rose by 6 percent, it said, but the Russian share of PGNiG's total gas imports fell by 2 percentage points from a year earlier to 75 percent.

LNG, purchased from Qatar, Norway and the United States, accounted for 19 percent of PGNiG's total gas imports during the period, an increase of 6 percentage points from a year earlier.

PGNiG has been buying more LNG via a terminal at the Baltic Sea in Poland also plans to build a gas link to Norway by

2022, which would give it access to gas from the North Sea.

“PGNiG is getting prepared to start supplying the Polish market with gas produced on the Norwegian continental shelf,” PGNiG said.

The company also said that gas consumption in Poland rose to 17 billion cubic metres (bcm) last year, from 15 bcm two years previously.

PetroChina and Qatar holding advanced talks on LNG supply deals

Reuters are reporting that PetroChina Ltd is in advanced discussions with Qatar to purchase LNG under short- and long-term agreements.

China needs to secure LNG to supply its push to replace coal with cleaner burning natural gas to reduce air pollution. After Beijing started the program last year, China has overtaken South Korea as the world's second-biggest buyer of LNG.

Tying up with Qatar, the world's biggest LNG producer, makes sense as the Middle Eastern country seeks buyers for a planned output expansion.

One of the deals under discussion as late as last week covers several million tonnes of annual supply starting this year though 2022, said two of the sources briefed on the discussions. The price and volume is yet to be finalised.

A third source, who was also briefed on the matter, said PetroChina is also discussing a longer-term agreement with Qatar, without giving further details.

China's LNG imports may surge by 70% over the next three years to 65 million t in 2020, according to consultancy SIA Energy. Last year, China imported a record 38.1 million t, 46% more than the previous year.

"The short-term deal is to supplement an existing long-term agreement," said a Beijing-based industry executive.

PetroChina started supply talks with Qatar, the world's largest LNG exporter, several months ago to cover a growing long-term supply gap as demand is set to rise faster than domestic fields could produce.

Despite growing competition from rival exporters such as Australia, Russia and the US, Qatar stands among the most competitive suppliers to China due to the size of its output, geographic proximity and low cost, said Chen Zhu, managing director at consultancy SIA Energy.

The talks with Qatar follow China's decision to add LNG from the US to the latest list of US goods under tariffs amid the trade war between the world’s two-largest economies.

China’s imports are bound to grow as the country has only secured 43 million tpy of imports and is expected to need 65 million tpy of imports by 2020, rising to 87 million tpy by 2020, according to SIA Energy forecasts.

“Given the growing appetite for imported LNG, China has to look for new LNG sources and investments. This will benefit new projects in Qatar, Canada West Coast, Russia, Mozambique, Australia and Papua New Guinea,” said Chen.

Qatar is looking to expand its LNG capacity to 100 million tpy from 77 million tpy currently.