

You've done nothing on climate change: Thunberg tells Davos



Greta Thunberg brought a stark message to the business elite gathering in Davos: Everybody is talking about climate change, but nobody is doing anything.

Her appearance at the opening of the World Economic Forum was a striking sign that the debate about how to stop the Earth warming has become mainstream in business circles. Yet only a handful of executives from the oil, gas and coal industries that are chiefly responsible for warming the planet were seen attending the panel at which Thunberg spoke on Tuesday.

Meanwhile, U.S. President Donald Trump used his speech at the event to tout the benefits of soaring American oil and gas production and make a thinly veiled attack on those who warn about looming environmental catastrophe.

"The climate and environment is a hot topic right now, thanks to young people pushing," 17-year-old Thunberg said at the

Swiss ski resort, where about 3,000 business and political leaders gather each year. "Pretty much nothing has been done, since the global emissions of CO2 have not reduced."

The Swedish activist's words came as the World Economic Forum sounds alarm bells on climate change. This year and for the first time on record, environmental risks occupy the group's top five long-term concerns, while corporate executives say they're increasingly concerned about environmental issues. But young activists at Davos said none of this is enough.

Thunberg is giving relevance to the Davos gathering, which for years has suffered from criticism that it was largely a billionaires' playground where the rich debated among themselves without hearing outside voices. On Tuesday, there was a full room at this first 8:30 a.m. panel featuring young activists – something relatively unusual for a climate change event at Davos.

The debate on climate change is forcing businesses to respond to demands to stop carbon dioxide and other greenhouse gas emissions. While some have been slow in embracing the fight, executives at Davos highlighted that the overall views from within the business community have dramatically changed over the last decade or so, moving from denial and questioning science into complete acceptance.

"I have come to Davos for well over a decade and I see behind the scenes, among top executives, a huge change in perception of the risk of climate change," said Marco Dunand, the head of Mercuria Energy Trading SA, one of the worlds' largest oil traders. "It's not just talk: it's translating into billions of dollars in investments in the energy transition."

Activists' language has made its way to boardrooms across the world too. At another morning panel at Davos, Iberdrola SA Chief Executive Officer Ignacio Galan called on companies to

close coal-powered plants in order to curb emissions.

“We are in a hurry, we have to move fast,” he said. “There is already money available, cheap money, cheap technology, competitive technology and political decision in many countries to do so. Let’s not continue delaying and postponing”

Trump Encounter

Trump landed at Davos on Tuesday morning and was welcomed by the words “Act on climate,” carved into the snow on a hill near the helicopter landing zone. He didn’t mention the topic in his speech at the forum later in the day, focusing instead on America’s growing economy and record oil and gas production.

“This is not a time for pessimism, this is a time for optimism,” Trump said as Thunberg watched from the audience. “We must reject the perennial prophets of doom and their predictions of the apocalypse. They are the heirs of yesterday’s foolish fortune tellers.”

The President and the activist’s first and only meeting last year became instantly viral as Thunberg was filmed furiously staring at Trump. While they’ve never spoken face to face, they both seem to follow each other closely on Twitter.

“Greta must work on her anger management problem, then go to a good old fashioned movie with a friend! Chill Greta, Chill!”, Trump tweeted in December shortly after the activist was named person of the year by Time magazine. Thunberg didn’t directly answer, but changed her Twitter biography to “A teenager working on her anger management problem.”

Three-day March

Hundreds of climate activists are due to arrive at Davos on foot on Tuesday following a three-day march across the Swiss

Alps. Protesters will gather at the ski resort and stage a demonstration calling for the end of the World Economic Forum. Companies attending Davos for the past five decades bear a great responsibility for today's climate crisis, activists say.

"We are tired of empty promises. But we have hopes," said Puerto Rican activist Salvador Gomez-Colon. "We're not waiting years to see the change that we want to see."

Thunberg urged businesses, governments and the media to listen to scientists. She cited research by the Intergovernmental Panel on Climate Change from 2018 that concluded that the carbon budget— the amount that can be released while still keeping global warming limited to a specific level — stands at 340 gigatons of carbon dioxide and that, at current emission levels it will be gone in less than eight years.

"Since last summer I have been repeating these numbers over and over again in every speech," she said. "I know you don't want to talk about this. I assure you I will continue to repeat these numbers until you do."

— *With assistance by Jeremy Hodges*

BP pulls out of Iraq's Kirkuk field as expansion plans stall



LONDON – BP has pulled out of Iraq’s giant Kirkuk oilfield after its \$100 million exploration contract expired with no agreement on the field’s expansion, dealing a fresh blow to Iraq’s hopes to increase its oil output, three sources told Reuters.

The move came as Western energy companies are reassessing operations in Iraq amid political turmoil following months of anti-government protests and a flare-up in tensions between the United States and Iran in the country.

BP informed Iraqi authorities in December that it was removing its staff from the oilfield in the north of the country after its 2013 service contract expired at the end of 2019, the sources familiar with the matter said.

A senior source at Iraq’s North Oil Company (NOC), which oversees the Kirkuk operations, confirmed BP’s withdrawal.

“The results of its field study for Kirkuk oilfield development have been handed over to the North Oil Company and unfortunately it was below expectations... at least for us,” the

official said.

“It’s very obvious study results were not encouraging for BP to extend its operations,” he added.

The Iraqi government did not reply to a request for comment.

BP confirmed it had completed field work and studies and said it gave its recommendations for the development of the field to the NOC. The London-based company did not comment on staff movements.

“In 2013, BP signed a letter of intent with the North Oil Company of the Iraqi Ministry of Oil to support field activity studies in Kirkuk. As planned, in December 2019 BP completed field work, studies and recommendations,” it said.

Another senior NOC engineer said BP staff members left their laptops with the NOC after completing the survey and technical study of the field.

Iraq was hoping BP would help it triple output from the field to 1 million barrels per day (bpd) – more than one-fifth of Iraq’s current production and 1% of global output.

BP’s contract was put on hold in 2014 when the Iraqi Army collapsed in the face of Islamic State’s sweeping advance in northern and western Iraq, allowing the Kurdish regional government (KRG) to take control of the Kirkuk region.

Baghdad regained full control of the deposit from the regional government in 2017 after a failed Kurdish independence referendum, at which point BP resumed its studies on the field.

Kirkuk, where oil was discovered in 1927, is the birthplace of Iraq’s oil industry. BP and Iraq’s Oil Ministry signed in 2013 a letter of intent to study the development of the field with a planned spending of \$100 million.

BP's work included a 3D seismic study of the field's reservoir to expand on the existing 2D data.

Kirkuk is estimated to contain about 9 billion barrels of recoverable oil, BP said.

Most of Iraq's crude is produced from areas managed by the central government of Baghdad, in the south, and exported from southern ports on the Gulf. The KRG exports about 300,000 bpd of crude from northern Iraq through a pipeline across Turkey.

DAVOS-Oil industry in Davos: torn between Greta and Trump



Oil majors are at the sharp end of the climate debate and face a bewildering balancing act to secure their futures.

It's a Catch-22 situation: to meet ambitious emissions targets by investing in low-carbon technologies, they will have to rely on revenue from expanding their businesses in oil and gas, for which there is still growing global demand.

On one hand, they must satisfy the big investors who are rewarding companies with progressive climate policies and dumping heavy polluters; yet on the other, they can't risk cutting the generous dividends that keep shareholders sweet.

How energy companies navigate this maze could determine the winners and losers in a lower-carbon future, and help govern whether the world can rein in warming. So no pressure, then.

The confusion has been thrown into stark relief this week at the World Economic Forum in the Swiss ski resort of Davos, where oil majors, state oil giants and ministers have been debating behind closed doors in their biggest gathering of the year.

While climate activists, notably Greta Thunberg, have called for all fossil fuel production to be halted to avert catastrophe, U.S President Donald Trump has decried "prophets of doom" and hailed the economic importance of oil and gas.

"It feels like we are at the epicentre of this debate. We sit right there between energy needs and climate change," said Al Cook, executive vice-president of Norway's energy giant Equinor.

"If you listen to Davos speeches, you've got some people who say only economic growth and energy matter. Others ask to stop oil and gas immediately. We need to find a way to balance this but the challenge is that you cannot always be popular with either side," Cook told Reuters.

CLEAN ENERGY: FRACTION OF CAPEX

Repsol is at the vanguard of an industry climate drive, announcing this year that it plans to become carbon neutral by

2050. As a result, Norway's wealth fund has doubled its stake in the Spanish energy firm.

Equinor has meanwhile launched a target to reduce emissions to near zero in Norwegian offshore production by 2050, and is co-investing in a \$10 billion wind farm in Britain, the world's largest.

French oil major Total this year announced investments into one of the world's largest solar power plants, in Qatar. It also plans to open 20,000 power charging points in the Netherlands and invest in planting millions of trees in Peru.

Europe's top oil firms have all set carbon reduction goals of various breadth. Shell has set out an "ambition" to halve "Scope 3" emissions by 2050 from fuels and products sold to customers rather than from its own operations.

Reuters reported this week that BP is also looking to significantly broaden its targets.

Companies might tout green credentials to satisfy sustainable investors and activists, but how can they pay the bill?

Fatih Birol the head of the International Energy Agency, the energy watchdog for industrialised nations, said the reality was that industry investments in clean energy represented a small fraction of their spending.

"Last year only 1% of total capex went into clean technologies. But those investments will grow as companies have to balance their short-term profit goals with long-term social licence," he said.

"Some companies won't need to borrow more, some companies may need to borrow more, but no company will stay unaffected by the energy transition."

He said the industry would focus in coming years on reducing methane emissions from their own operations, which constitute

15% of all global greenhouse emissions.

"This part can be done relatively inexpensively," he added. "The more expensive part will include carbon capture and storage, offshore wind and increased use of hydrogen."

THE TRUMP EFFECT

Another major challenge to climate action is a lack of a global consensus.

In the United States, where Trump is encouraging oil and gas production and has exited the Paris climate deal, oil majors lag their European rivals on emissions goals. Chevron has set limited reduction targets while ExxonMobil has no targets.

A U.S. energy boom has helped make the country one of the world's biggest gas flarers.

"No-one has been able to fill the previous political leadership role on climate change that was played by the U.S. in the past," said Majid Jafar, chief executive of UAE-based Crescent Petroleum.

Jafar argues that if the world replaced all coal with gas, it would achieve the Paris climate target of by keeping global warming to well below 2 degrees Celsius. The problem is that the biggest coal consumers, China and India, will not be able to do that for years if not decades, he said.

"The efforts of the West will be futile without bringing on board Asia and Africa, which are driving the growth in energy demand and emissions," he added.

Richard Herrington, head of earth sciences at London's National History Museum also said a speedy energy transition may simply be impossible.

"If the UK were to turn tomorrow all of its cars into electric ones, we would need twice the world annual cobalt and half of annual copper production," he said. "You can imagine what

happens if you scale it up to the whole world.”

Source: Reuters (Reporting by Dmitry Zhdannikov; Editing by Pravin Char)

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.

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.

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%.

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.

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.⁵

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.

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.

**Turkey, Greece brace for
standoff over Cyprus gas
drilling plans**



US ROLE 'CRUCIAL' FOR EAST MED OIL AND GAS BOOM – ENERGY EXPERT



ATHENS, Greece: Keeping the United States engaged in the Eastern Mediterranean is the surest way to help the region get the most out of its hydrocarbon resources, an industry veteran told a conference in Athens on Thursday.

Roudi Baroudi, CEO of Energy and Environment Holding, an independent consultancy based in Qatar, told the first day of the Athens Energy Dialogues that peace and stability were prerequisites for sound development of the sector.

“This part of the world has long and painful experience of instability, and recent events indicate that the ingredients for more conflict are still very much on the table,” he told his audience. “In order to realize the potential offered by oil and gas, we need to learn from our shared history and avoid repeating it.”

While several East Med countries have discovered significant oil and gas deposits off their coasts in recent years, most of

the region's maritime boundaries are yet to be agreed, leaving ownership of the resources in dispute. The uncertainty threatens to discourage investment and delay development on multiple fronts, including the auctioning of offshore blocks for exploration and production, and the construction of processing and pipeline facilities for the export of liquefied natural gas (LNG) to Western Europe. Baroudi's frequent advocacy of diplomacy to resolve these differences has made him something of an unofficial ambassador for dialogue and other peaceful means of dispute resolution under international law.



His Excellency Minister Kostis Hatzidakis, Minister of Environment
& Energy of Greece, greeting Mr. Roudi Baroudi

With more than four decades in the energy business, Baroudi has helped shape policy and investment choices for companies, governments, investors, and supranational organizations like the United Nations and the European Union. He said the UN and related institutions offered a variety of mechanisms by which

countries might find ways to replace politico-military competition with at least tacit cooperation, but also warned that much of the internationalist playbook was under threat.

Citing former UN Secretary General Boutros Boutros-Ghali, he noted that UN institutions only work as intended when member states follow the rules and encourage others to do the same.

The effectiveness of the rules-based system developed after World War II, he argued, “stems primarily from the participation and goodwill of all member states, but especially the strongest and most influential among them – and in particular, therefore, the United States.”

“Much of this architecture has recently been undermined by some of the very countries that once championed its suitability for keeping the peace, maintaining stability, and otherwise providing peoples with the tools, the time, and the space they need to govern themselves and grow their economies,” Baroudi warned. “The UN itself can only promote the kind of preventive diplomacy that abets both peacemaking and peacekeeping; actual implementation depends very much on the policies and practices of member states. And then as now, no member state is more crucial to that reality than the United States. It alone has the requisite power, presence, and influence ... It behooves all regional states, therefore, to keep the USA engaged in the Eastern Med.”

OPEC sees growing supply threat from rivals beyond

U.S. shale



LONDON (Bloomberg) – OPEC's latest forecasts suggested a weaker outlook for global oil markets this year as surging supplies from competitors from Norway to Guyana threaten the group's efforts to defend crude prices.

The organization and its allies – which together account for about half the world's oil output – are embarking on a fresh round of production cuts as another year of booming rival supplies threatens to unleash a new glut. OPEC's latest monthly report shows their challenge extends far beyond the shale patch of Texas and North Dakota.

The Organization of Petroleum Exporting Countries boosted forecasts for growth in output from non-members in 2020 by 180,000 barrels a day to 2.35 million a day, as offshore projects once seen unfeasible in an era of lower oil prices take off. While the outlook for the U.S. was lowered, America will still account for almost two thirds of the new output.

Although the group raised estimates for world demand, rival supplies will grow about twice as fast, potentially derailing

the coalition's strategy to maintain oil revenues for its members. Crude futures are trading near \$64 a barrel in London, close to the lowest in a month, even after flaring tensions between the U.S. and Iran rekindled fears of a major supply disruption.

OPEC and allies including Russia and Kazakhstan are deepening production cutbacks made last year in order to remove excess global inventories, pledging overall curbs of about 2.1 million barrels a day. This month's report suggests those measures should be sufficient to deplete stockpiles during the first quarter, but that a surplus will probably return in the second.

Saudi Arabia, the group's biggest member and de facto leader, rushed to implement almost all of the additional reductions pledged before the new agreement even took effect, the report showed. The kingdom reduced output by 111,000 barrels a day in December to 9.762 million a day.

As a result, the organization's total production fell to 29.44 million a day last month. If other nations implement just part of their pledged reductions, output should be near the average of 29.19 million a day needed in the first quarter. However, even full compliance won't prevent stocks building up in the second quarter, when the requirement for OPEC's crude drops to 28.56 million a day.

The full alliance is due to meet in early March, when the agreement is due to expire, to decide whether to continue with the strategy.

Privatisation matters: Foreign investors express interest in LNG plants



ISLAMABAD:

Pakistan has managed to secure broad-based interest in the privatisation of multibillion-dollar liquefied natural gas (LNG)-fired power plants as a dozen global and local companies, including a military-backed local consortium, have shown interest by the end of the extended deadline.

As traditional aspirants, China and Saudi Arabia, have stayed away from the process, non-traditional investors from Japan, Thailand, the United Kingdom and Malaysia have come forward and submitted statements of qualification.

The Privatisation Commission had floated Expressions of Interest (EOI) in November last year, inviting local and global investors for the acquisition of nearly 2,500-megawatt two power plants, fuelled by Qatar's LNG.

"Till the expiry of the deadline on Friday, 12 reputed international and local firms have submitted statements of qualification," Privatisation Secretary Rizwan Malik told The Express Tribune. "We have secured sufficient competition and once pre-qualified, these companies can make four to five competitive consortiums," said the secretary.

National Power Parks Management Company Limited (NPPMCL) owns the two power plants located at Balloki and Haveli Bahadur Shah with combined generation capacity of 2,453 megawatts. The government wants to sell NPPMCL in the hope of fetching a minimum of Rs300 billion or \$1.5 billion in non-tax revenue.

In the next step, the Privatisation Commission will evaluate the prospective investors and pre-qualify them for taking part in the bidding process. Pre-qualified firms will have around two months for conducting due diligence of the power plants.

Once the due diligence is done, the Privatisation Commission will announce the bidding date. "We expect to announce the bidding date by the end of March," said the privatisation secretary.

Adra Power, Malaysia's second largest independent power producer, has submitted documents. Adra was the only company that had submitted the statement of qualification before December 23 – the original deadline, which was subsequently extended for three weeks. Out of 12, nine companies are from Europe and Asia, depicting broad-based interest in one of the largest privatisation transactions in the history of Pakistan.

Two companies from Qatar have submitted the statement of qualification. Nebras Power, Qatar, is a global power development and investment company. The other party is Qatar

Investment Authority.

The two power plants are run by LNG that Pakistan imports from Qatar under a 15-year deal, signed in 2015. However, the Power Division has claimed that due to the availability of cheap alternative fuels, the consumers will have to pay extra Rs471 billion from 2019 to 2025, if these power plants are run on imported LNG.

Three Japanese companies have also shown interest in acquisition of the power plants. Marubeni is a major Japanese integrated trading and investment business conglomerate. Jera is a joint venture between Tepco FP and Chubu Electric Power and Mitsu and Co Japan has also submitted documents.

ASMA Capital Partners BSC of Bahrain has also shown interest. It is a multi-fund asset management firm incorporated in Bahrain. Global Power Synergy Company Limited, Thailand and Contours Global UK have also submitted documents.

Three local firms have submitted documents. A consortium of Fauji Fertiliser, Fauji Foundation and Mari Petroleum has come forward for the acquisition of the two power plants. Kot Addu Power Company and Atlas Power have also submitted bids.

However, China and Saudi Arabia have stayed away and their companies did not submit the statement of qualification till the closing time. In a bid to convince Chinese investors, the privatisation secretary met with the Chinese ambassador in Islamabad this week.

Chinese investors were reluctant to come forward due to the usual bureaucratic inefficiencies that had also delayed the sale of a majority stake in K-Electric to a Chinese company. The sale of Abraaj Group's stake in K-Electric to Shanghai Electric has been delayed by over three years.

About 19 companies procured documents from the Privatisation Commission including around 14 foreign firms after the

government invited the EOI.

The Rs300-billion revenue is very crucial for the finance ministry, which is already struggling to manage budget books due to an anticipated shortfall of Rs700-Rs800 billion in Federal Board of Revenue's annual tax collection target of Rs5.5 trillion. The FBR has already suffered a shortfall of Rs284 billion in six months of the current fiscal year.

Published in The Express Tribune, January 18th, 2020.

Natural gas drops below \$2 as US shale blitz overwhelms demand



Natural gas futures sank below \$2 per million British thermal units for the first time since 2016 as an onslaught of US supply from shale basins overwhelmed demand for the heating and power-plant fuel. Aside from a few brief cold snaps, the weather hasn't been frigid enough to keep heaters on full blast and sustain a rally in gas prices. Though stockpiles

ended last winter more than 30% below normal for this time of year, record production quickly replenished gas in underground storage. Since the shale boom began more than a decade ago, producers have been unable to shake off the supply glut that's kept prices in the doldrums even as new pipelines and exports plants send unprecedented amounts of gas to Mexico and overseas. While drillers have been remarkably successful in ramping up output in recent years, their track record of doing so profitably has been mixed at best. "Prices have hinted at a break below \$2 multiple times throughout the past year and it have fought hard to resist a complete breakdown," said Daniel Myers, an analyst at Gelber & Associates in Houston. But the market finally caved as "Mother Nature pulls the rug out from under prices one more time." The latest weather models show above-normal temperatures across much of the East later in January, a sharp shift from earlier predictions for cooler conditions. That suggests a loss in demand for the heating fuel that's "the biggest so far this entire winter season," according to Commodity Weather Group LLC. Natural gas futures for next-month delivery fell as low as \$1.998 per million Btu just before the end of trading Friday in New York, but settled at \$2.003. Futures fell 26% in 2019, making gas one of the year's worst-performing commodities. Prices last dropped below \$2 in May 2016. Despite Friday's slump, the gas market remains vulnerable to dramatic price spikes at the first sign of a polar blast. There are two months of winter remaining, and hedge funds are holding the largest-ever bearish position in the fuel.

Lagarde Started ECB Tenure

Amid Calls for Policy Vigilance



Christine Lagarde's first policy meeting as European Central Bank president started off with calls for "vigilance" on the efficacy of current stimulus measures, even as officials agreed to maintain their stance for now.

Some Governing Council members "highlighted the need to be attentive to the possible side effects of the present monetary policy measures, which merited close monitoring in the period ahead." According to an account of the Dec. 11-12 discussion released on Thursday in Frankfurt, officials nevertheless highlighted that "measures should be given time to exert their full impact on the euro-area economy."

The euro hit a fresh day high following the publication. It was up 0.1% at 1:40 p.m. Frankfurt time, trading at \$1.1165.

The Governing Council held off from stimulus changes in December, placing the spotlight instead on Lagarde's press conference and her plans for the ECB to review its strategy. One of the key issues policy makers intend to assess is their inflation goal, with more details to be revealed later this month when the review is due to be formally launched.

The meeting started earlier than usual on Dec. 11, and was marked by a commitment to allowing every member to air his views, according to officials who have spoken since the discussion. Lagarde took over from Mario Draghi on Nov. 1, and has sought to mend bridges after a controversial stimulus package was announced in September that included an interest-rate cut and fresh bond purchases.

Some concern regarding the impact of the ECB's negative interest-rate policy was expressed, according to the account. "It was recalled that macroprudential policies were the first line of defense for addressing risks and side effects, as they could be tailored to the issues identified." At the same time, "the implementation of monetary policy could also be adjusted to reduce unwanted side effects."

Governing Council members saw "some initial signs of stabilization in the growth slowdown" and expressed confidence that the industry slump may be bottoming out before creating more broad-based spillovers to domestic demand.

Since officials concluded in December that the global geopolitical situation wasn't "conducive to lowering uncertainty" in the short term, recent economic indicators have pointed to improving sentiment. The U.S. and China signed a trade accord and the U.K. is one step closer to exiting the European Union.

Regarding price developments, "further efforts should be made to try to better understand the reasons behind the unexpected weakness in inflation," according to the account. It

was noted that “there had been a solid upward movement in underlying inflation” were it not for the impact from volatile package-holiday prices in Germany.

The ECB suggested there could be upside potential to its latest projections. “The impact of the ECB’s monetary-policy measures on growth and inflation contained in the December 2019 staff projections was seen as being rather conservative compared with a range of estimates from different models.”

Officials also discussed climate-related policies and agreed there was a need to better understand their economic impact. “It was argued that while such policies could be considered a negative supply shock, the response to climate change could also lead to significantly higher investment.”

They expressed satisfaction with the implementation of their two-tier system for reserve remuneration and cautioned against over-interpreting relatively weak takeup in the ECB’s latest offering of long-term loans.