

What the ECB's Strategy Review Must Do



The European Central Bank's new strategy review must recognize that economists are still a long way from understanding the dynamics of low inflation. Given this uncertainty, the ECB should aim to adopt robust policies that cause the least damage under a broad range of scenarios.

LONDON – With her recent announcement of the European Central Bank's long-overdue strategy review, new ECB President Christine Lagarde has generated high expectations. The review's outcome will be the first important signal of how Lagarde intends to lead the institution – and of how the ECB is likely to address persistently low inflation in the eurozone.

The world is very different than it was in 2003, when the ECB's strategy was last revised, and the institution has itself undergone deep changes since the 2008 financial crisis. Faced with a global recession and then the 2011-2012 eurozone debt crisis, the ECB abandoned the traditional approach of passively meeting banks' demand for liquidity – its initial response to the financial crisis. Instead, the ECB started

actively managing its balance sheet in order both to ease monetary policy and stabilize the financial system.

Furthermore, the ECB has radically expanded its operational tools. In 2014, it introduced negative interest rates on banks' deposits with national central banks, and began providing the market with "forward guidance" concerning its future policies. And, since 2015, the ECB has engaged in asset purchases (known as quantitative easing, or QE), causing its balance sheet to double compared to 2008. Finally, the ECB has assumed larger prudential supervisory responsibilities *vis-à-vis* European banks under the Single Supervisory Mechanism.

The first phase of the ECB review will be narrow, focusing on defining the bank's inflation target, the role of monetary aggregates as signals of medium- to long-term inflation, and communication. This is expected to be concluded in the first half of 2020, to be followed by a second phase of reflection.

Any meaningful review of these issues must objectively and critically analyze the decade since the financial crisis, during which average eurozone inflation has been well below the ECB's objective of "below, but close to, 2%," and also lower than in the United States and the United Kingdom. In particular, the review should quantify the costs of tolerating a systematically below-target level of inflation, relative to pursuing other policy options.

There are at least three hypotheses to explain the ECB's inability to achieve its inflation objective. The "policy mistakes" hypothesis maintains that the ECB should have implemented more aggressive policies – in particular, QE – between 2012 and 2014. If these "mistakes" stemmed from an ill-defined ECB strategy, then its strategy will have to be adjusted; if they were the result of political constraints, then its decision-making process should be changed.

The second explanation highlights the inadequate coordination

of fiscal, financial, and monetary policy in the eurozone. In 2009, for example, monetary easing was accompanied by a delayed cleanup of the banking sector and fiscal austerity, leading to a second recession that the ECB was late to identify. And in 2012-2014, a neutral fiscal stance was coupled with both insufficient monetary stimulus and banking-sector deleveraging.

Both hypotheses suggest that the ECB would have fared better had it clearly committed to a symmetric quantitative target for inflation or nominal GDP. That would have implied, for example, not increasing interest rates in 2011 (as the ECB did) in response to the temporary inflationary effect of higher oil prices. It also would have implied starting asset purchases in 2012 instead of 2015, and not stopping them in 2018.

The third hypothesis, favored by some central bankers, is that persistently low eurozone inflation reflects structural factors such as adverse demographics, low growth expectations, and the associated increase in demand for safe assets. This explanation thus draws parallels between the eurozone and Japan, where aggressive monetary and fiscal policies since 2013 have failed to lift the economy out of its two-decade-long slough of low inflation.

Advocates of the structural view argue that it would be better for the ECB's policymakers to adopt a lower inflation target rather than try to engineer a monetary stimulus that ends up inflating asset prices and jeopardizing financial stability. After all, their argument implies, there is little evidence that stable low inflation is bad for welfare.

But this third hypothesis can lead to two alternative policy recommendations. The first is a "do-nothing" approach, coupled with a downward adjustment of the ECB's inflation target in line with actual inflation. Such a course of action is justified if policymakers assume that potential output growth

in the eurozone has declined independently of past fiscal and monetary stabilization policies. The second option, as under the first two hypotheses, is to maintain an accommodative monetary policy, possibly in coordination with fiscal policy. This would be the right thing to do if policymakers believed that persistent slack in the real economy would end up affecting potential output.

Most analyses imply that ECB policy has in general been too cautious during the last decade. Moreover, even if one accepts the structural explanation for trend inflation and takes the view that inflation expectations have fallen independently of past policies, the “do-nothing” option is likely to cause expectations to spiral further downward, possibly leading to a deflationary trap. One then has to consider the costs linked both to the associated relative price adjustments and to the effect that the resulting upward pressure on the real interest rate would have on the burden of private and public debt. These costs are likely to be greater than those associated with the financial-stability risk of doing “too much,” which in any case can be addressed using prudential tools.

The ECB’s new strategy will have to be based on the kind of quantitative analysis needed to answer these questions. But it also must recognize that economists are still a long way from understanding the dynamics of low inflation. Given this uncertainty, the ECB should aim to adopt robust policies that cause the least damage under a broad range of scenarios.

Outgoing BP CEO warns of

moving too fast on climate change



BP Plc's outgoing Chief Executive Officer Bob Dudley warned Big Oil of moving too fast on investing in new technologies to counter climate change, because their failure could lead to financial ruin.

"If you go too fast and you don't get it right you can drive yourself out of business," Dudley said in a Columbia Energy Exchange podcast with Professor Jason Bordoff.

Oil companies must retain a strong financial footing to be able to invest when game-changing technologies are developed, he said. In the early 2000s, before his tenure as CEO, BP invested heavily in solar technology only to write off much of the spending.

"If we understand where the technologies are going and we invest, the best thing we can do strategically is have a

strong balance sheet. When it becomes really clear certain technologies are going to move very quickly and be profitable, then we'll be able to make that shift."

Here are other select quotes from the interview:

On Big Oil's role in the energy transition:

BP, Exxon Mobil Corp., Royal Dutch Shell Plc, Chevron Corp and Total SA are "only responsible for producing about 8% of the world's oil. If we were all driven out of business that oil would still be produced" by national oil companies and other countries.

"We want to be leaders in this and we do enormous amount as companies" such as in developing technology and reducing emissions from their own operations. But "we're not the epicenter of these issues."

On BP's dividend:

"I meet with shareholders and they say 'we would like you to move really quickly into renewables.' I say, 'we can do that, would you like us to cut the dividend?' They go, 'no, no, don't do that.' We've got to find the right balance and pace here."

Green deal law to make EU's

energy shift irreversible



Bloomberg/Brussels

Europe wants to make its goal of becoming the first climate-neutral continent irreversible under a new law that is to be unveiled next month, offering investors the certainty they ask for before backing unprecedented levels of investment.

The climate law will require all corners of the economy to take action and give the institutions co-ordinating the shift the legal authority to act when the promises to deliver are broken, according to Frans Timmermans, executive vice-president of the commission.

“This is an exercise in disciplining this transformational age,” Timmermans told a conference in Brussels yesterday. “Transforming a society that is entirely based on carbon to a society that no longer needs carbon as a fundamental basis for its functioning is of a tectonic nature.”

The remarks are meant to build support for the package due on February 26 and to give groups with a stake in the issue a sense of the scale of the project.

The industry is already working on technologies such as carbon capture and storage or hydrogen, and for companies it’s no

longer a question of climate targets but of how to ensure the necessary funds for the unprecedented overhaul, according to Marco Mensink, director general of the chemical industry association Cefic.

"I've been in Brussels for 15 years now, and I think that people in the room agree we've never been in as an exciting moment as we are right now," Mensink told the conference on the climate law. "That is a 1tn euro or more market opportunity if we get it right; it's also an enormous investment that has to come to Europe."

The measures would enshrine in law the Green Deal, a far-reaching strategy to eliminate greenhouse gas emissions by the middle of the century. The shift is at the heart of the agenda of European Commission President Ursula von der Leyen and will affect areas from energy production to transport and agriculture.

The deal is aimed at putting Europe in sync with the objectives of the Paris Agreement on climate change. It would also entrench Europe's leadership on the environment, putting it ahead of major polluters including China, India and Japan, which have yet to translate their voluntary Paris pledges into binding national measures. US President Donald Trump wants to withdraw from the Paris Agreement.

"This is an epic challenge," Timmermans said. "It's also an incredible opportunity for Europe to lead. If we get it right, I can assure you that worldwide there will be huge interest in studying our idea for the climate law. I get questions about this from all parts of the world."

The climate law requires support from member states and the European Parliament. It will make the 2050 climate neutrality goal binding and may include hints on the trajectory for the bloc to get to zero net emissions.

Von der Leyen signalled she wanted to toughen the 2030 emission-reduction goal to 50% or even 55%. The target is currently to cut pollution by at least 40%.

The commission is likely to stop short of proposing a new target for 2030 at this stage, waiting with more details until

the second half of this year when it's due to publish an analysis on tougher climate goals. That's set to create friction with the European Parliament, which is adamant that the new law include a 55% reduction target for 2030.

Legislative work on the new climate law is set to last several months. Croatia, which is chairing meetings of member states in the first half of 2020, wants national governments to agree on their common negotiating position in June.

The European Parliament's environment committee may approve a stance on the law in June, its chairman Pascal Canfin told the conference yesterday. The committee's decision could be followed by a plenary vote in mid-July, he said. Only then can the two institutions start discussions about the final shape of the law.

While Europe is ready to bet its future on the environmental clean-up, the costs of the transition are dizzying. Reaching the existing climate targets will require additional spending of €260bn (\$286bn) annually, according to commission estimates. The commission earlier this month unveiled a sustainable investment plan to help mobilise at least 1tn euro over the next decade to help the green shift.

Tears flow as politicians fail to dispel 'climate darkness'



Standing before a captive audience at this month's climate change conference in Madrid after entertaining them with a dance in her traditional Pacific island costume, 21-year-old Tabita Kaitamakin Awira Awerika's smile turned to angry tears. The student from Kiribati spoke of her anguish at the threat to her low-lying atoll nation from rising sea levels and ferocious storms – and the determination of her people not to let global warming chase them from their “beloved motherland”. “I am very sad to say that as the youth of many developed nations are enjoying their daily activities, our fellow youth in Kiribati are worrying about what the future holds for us,” she told an event on the sidelines of the UN talks.

“My leaders have voiced these concerns to the global community over and over but no one is listening – are we that insignificant for our cries to fall on deaf ears?”

Emotional exhortations like this are being heard more often at the annual climate summit, especially from young people, as climate change fuels extreme weather, glaciers melt, and the world's oceans creep inexorably higher.

In Madrid, veterans of the “COP” meetings – known as a place where suited officials spar over complex agreements – said they had never seen such an outpouring of grief, anxiety and sorrow.

Bill Hare, founder of climate science think-tank Climate Analytics, told US news show "Democracy Now!" he had seen more tears in Madrid than at the previous 24 summits, dubbing it "the crying COP".

Representatives of small island states were "almost panicking" at the prospect of their homelands disappearing under the waves, while young people were "angry and upset" at a lack of action by politicians, he said.

During two fractious weeks of talks, a handful of major polluting states resisted pressure to ramp up efforts to combat climate change, angering smaller countries and a growing protest movement that is pushing for emergency action. The climate change talks have experienced a "big shift" away from formality in recent years, said Ashlee Cunsolo, director of the Newfoundland-based Labrador Institute of Memorial University and an expert on "ecological grief".

Tuvalu negotiator Ian Fry grabbed the world's attention at the 2009 Copenhagen talks by saying he had woken up crying, telling delegates tearfully, "the fate of my country rests in your hands".

At the 2013 talks, Philippines negotiator Yeb Sano made headlines when he broke down speaking of the destruction wrought on his country by Typhoon Haiyan.

Cunsolo told the Thomson Reuters Foundation people were increasingly "refusing to separate science and feeling".

"More and more, they are not embarrassed and not ashamed to share the emotions they are experiencing around these changes," she said.

One key driver is rising exposure to climate and weather-linked disasters, whether Australia's bushfires, flooding in the United States or Hurricane Dorian in the Bahamas, she added.

And then there are communities experiencing longer-term deterioration in their native environments, including Canada's Inuit, who are struggling with losing the ice and what that means for their hunting-based lifestyle and food security.

"The lived experience that people have and are sharing

publicly on social media and in media articles has so far outstripped the research that we have,” said the academic who co-authored a study on the subject, published in April 2018. The paper identified “ecological grief” as “an underdeveloped area of inquiry” and warned it could “become more common as climate impacts worsen”.

Yet while community groups have sprung up to help people cope with their feelings, and some health professionals are developing guidelines on mental health and climate change, efforts to quantify and tackle the phenomenon are lagging behind, Cunsolo and others said.

“If people don’t hear about it, and don’t talk about it, and it only grows within, then that is a recipe for disaster,” said Pablo Suarez, associate director for research and innovation at the Red Cross Red Crescent Climate Centre.

At a parallel event in Madrid, he ran a workshop introducing development professionals to the concept of “climate darkness” – a term he prefers to “grief” which points to something that has already happened and is not a springboard for action, he said.

“A little bit of light can undo darkness,” he said. “Emotional pain is a signal: these tough times are full of opportunities for heroic generosity and proactive humanitarian deeds.”

As a global network of volunteers, the Red Cross is aware of the stress climate-related crises put on its humanitarian workers, as well as those directly affected, and plans to start providing better psychological support for them, Suarez said.

Cunsolo, meanwhile, said she and colleagues want to conduct a national survey across Canada next year, with a focus on vulnerable groups like farmers and indigenous people, with the aim of producing data that can be useful to decision makers. In drought and fire-hit Australia, researchers are planning a similar effort, she noted.

Suarez, who has devised games and worked with cartoonists to help people understand climate risk, said one reason why major climate change events like the COP fell short of public

expectations was that they are “devoid of inspiration”.

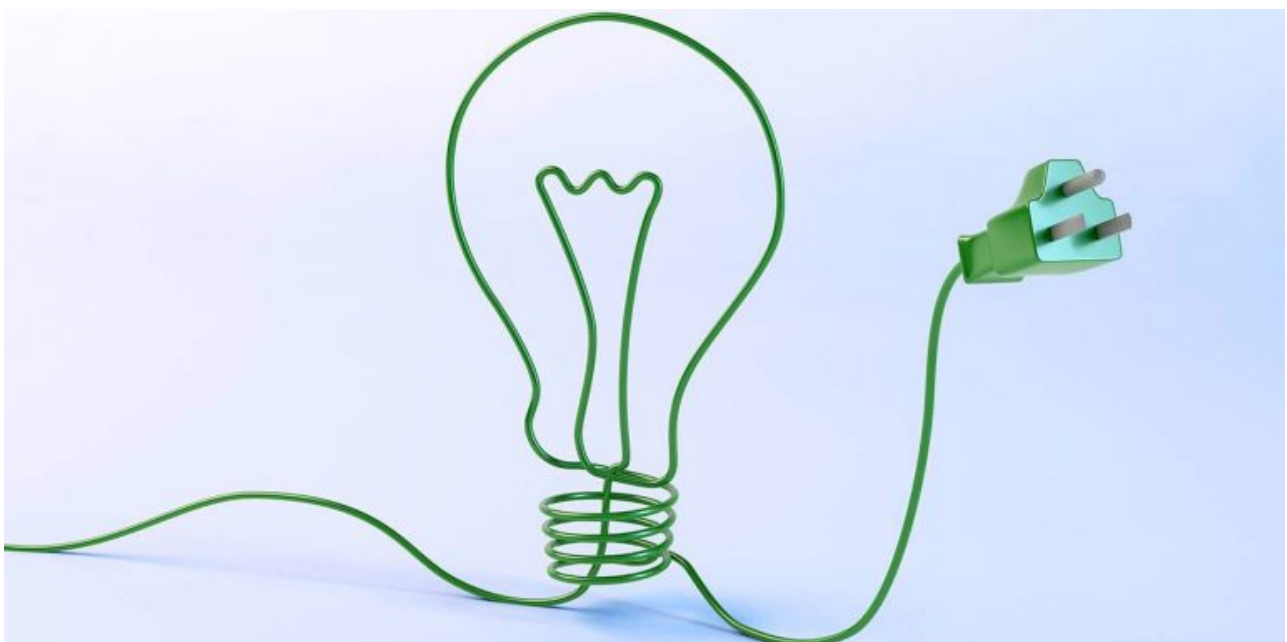
“Why are COPs designed to discard the emotional richness needed to make us aim for more? Yes, climate negotiations are deadly serious, but they shouldn’t be deadly tedious,” he added, calling for an injection of art and humour.

In the absence of a collective push to act, however, the prospect of a ruined planet can lead to sadness and paralysis, he noted.

In Madrid, Marie Christina Kolo, a young eco-feminist from Madagascar, wailed up as she spoke of village girls being pushed into early marriage because their parents could no longer earn enough from fishing in the African island nation’s warming seas.

“I hope (the negotiators) will not only consider data and percentages, but they will consider our lives,” she told journalists. – Thomson Reuters Foundation

Winning the electrification race



If governments adopt bold policies to help accelerate the production of clean electricity, the world could build a zero-carbon economy fast enough to limit climate change to a manageable degree. But without such measures, a zero-carbon economy will come much too late.

LONDON – There is no doubt that by the year 2100, the world will enjoy abundant cheap zero-carbon energy. Coal will be confined to museums, and oil and gas use will be dramatically reduced. Technological progress makes that inevitable, even if unassisted by government policy. But to prevent potentially catastrophic climate change, a zero-carbon global economy must be achieved by mid-century. That, too, is possible, but only with strategic vision and strong policy support.

Electricity will dominate the future global energy system. Currently, it accounts for only 20% of final energy demand, with direct fossil-fuel use still dominant in transport, heating, and heavy industry. But most economic activities can be powered by electricity, and many will be far more efficient once electrified.

For example, internal-combustion engines typically turn 60-80% of all the energy they use into wasted heat, and only 20-40% into kinetic energy to drive the vehicle. Electric engines, by contrast, are over 90% efficient. Moreover, they are so much simpler to produce that within five years the cost savings on engines will offset the cost of batteries, making electric vehicles cheaper than diesel or gasoline cars. Similarly, electric heat pumps can deliver more than three kilowatt-hours of residential heating for only one kilowatt of energy input; no gas boiler could deliver more than 0.9 kWh for the same input.

Although battery-powered electric engines will play a growing role in short-distance aviation and shipping, batteries will be too heavy to power long-distance flights or intercontinental shipping for several decades yet. But ship

engines could burn ammonia rather than fuel oil – and ammonia can be a zero-carbon fuel if it is made from hydrogen produced by electrolyzing water, using electricity generated from renewable sources. In addition, synthetic jet fuel can be made from hydrogen and carbon dioxide extracted from the air. Hydrogen, whether used as a fuel or a key chemical input, will also play a major role in the decarbonization of heavy industrial sectors such as steel and chemicals.

Without assuming any fundamental technological breakthroughs, we could certainly build by 2050 a global economy in which electricity met 65-70% of final energy demand, and hydrogen, ammonia, or synthetic fuel met a further 12-15%. Bioenergy and fossil fuels would then need to meet only about 20% of total energy use – and applying carbon capture to this greatly reduced fossil-fuel use could then ensure a truly zero-carbon economy.

Moreover, such widespread electrification would deliver huge environmental benefits, eliminating the pollution, noise, and unwanted or wasted heat inevitably produced by burning fossil fuels in vehicles, gas boilers, and industrial processes.

Building this economy will require an annual global electricity supply of about 90,000 terawatt-hours, compared to 23,000 TWh today; all of that must be generated in a zero-carbon way. But this goal, too, is undoubtedly attainable. Every day, the sun radiates to earth enough energy to cover humans' daily energy needs 8,000 times, and we could provide 90,000 TWh of solar electricity using less than 1.5% of Earth's land surface (or less than 0.5% if its water surface could be used as well). Solar-energy costs have fallen by 85% in the last ten years, and in many locations solar power is already cheaper than coal; by mid-century, it will be cheaper still.

Wind-power costs also have declined fast, and nuclear fusion may be a commercially viable technology within two decades.

Battery costs have fallen by more than 80% since 2010 and will likely more than halve again by 2030, while a recent report suggests that electrolysis costs will now most probably “plummet.” Furthermore, a wide array of other energy-storage and demand-management technologies promises to answer the key question for renewable power systems: what to do when the sun doesn’t shine and the wind doesn’t blow.

These developments make it inevitable that by 2100 the world will have an ample supply of cheap and totally clean energy. But it is not inevitable that we will avoid catastrophic climate change. Fossil-fuel use is still increasing, and global warming is currently on track to reach 3°C above pre-industrial levels by 2100, dramatically overshooting the target of well below 2°C set by the Paris climate agreement. And although solar and wind costs have plunged, we need to increase capacity at 3-4 times the current rate to have a feasible chance of producing 90,000 TWh of clean electricity by 2050.

The macroeconomic cost of such an effort is not at all daunting: the total incremental investment required to build a zero-carbon economy by 2050 amounts to about 1-1.5% of global GDP per year. But the required acceleration will not occur without forceful government policies.

Such policies must start by recognizing that massive clean electrification, plus large-scale hydrogen use, is the only route to zero-carbon prosperity. Governments should set challenging targets for increasing renewable (and in some cases nuclear) power capacity, while using auctions to secure private-sector delivery at the lowest possible cost. Road-transport strategies must aim to completely eliminate internal-combustion engines from our roads by 2050 at the very latest: this will require bans on the sale of new internal-combustion vehicles far sooner. In addition, carbon pricing is essential to make industrial decarbonization economic. Finally, governments must support new technologies with

initial deployment subsidies of the sort that have helped to reduce rapidly the costs of solar photovoltaic technology, wind turbines, and batteries.

With such policies, the world could build a zero-carbon economy fast enough to limit climate change to a manageable extent. But without the right measures, a zero-carbon economy will come much too late.

CEOs in Davos say they can't save the planet on their own



INTERNATIONAL – As the financial industry comes under pressure to avoid funding dirty energy, the heads of Citigroup Inc. and Zurich Insurance Group AG said they need their clients to do more work too.

"I say to our clients, 'I don't want to be the sharp end of the spear,'" enforcing industry standards, Michael Corbat, chief executive officer of the New York-based bank, said Tuesday in a panel discussion at the World Economic Forum in Davos, Switzerland. "You should set those, you get proper buy-in and we will be here to support you."

Mario Greco, the CEO of Zurich Insurance, agreed with Corbat that carbon was mispriced, and said insurance firms are having a tough time deciding what to underwrite as a result.

Insurers are underwriting "based on ethical standards," and "compliance with the Paris agreement, but it's not fast enough and it's a tough job," Greco said. "We don't know exactly" how an industry should restructure itself, "and we are not supposed to do that, so the only thing we can do is stop funding. Stopping funding is a brutal reaction to market displacement."

This year's meeting of the global business elite in Davos has focused on sustainability, with teenage activist Greta Thunberg criticizing a lack of action on climate during her appearance.

Financial companies are under pressure to retreat from funding industries including coal-fired power, and the European Union is working on a so-called taxonomy governing sustainable investments. Lawrence Fink, who runs BlackRock Inc., last week pledged to incorporate environmental concerns into the asset manager's investment process for both active and passive products.

"We are very much aligned" with Fink, Corbat said in Davos on Tuesday. "Where we don't want to find ourselves is being the person that starts to dictate winners and losers."

Corbat created the new role of chief sustainability officer at his bank in September. He said then that governments should create incentives for companies to adopt sustainable practices, rather than relying on punishments like carbon tariffs.

Greco was pessimistic that there will be more effective global agreements on matters like carbon pricing, calling the prospect "almost unthinkable."

Global companies “will go wherever there is the best financial opportunity short-term for them, and they will follow what prices tell them to do. This is what makes me scared, or pessimistic, that we will achieve the right speed.”

Trump Takes Veiled Swipe at Environmental ‘Alarmists’



President Donald Trump launched a veiled attack on environmental “alarmists” in a speech to business and political leaders in Davos, taking a swipe at the World Economic Forum’s key focus this year. Speaking at the Swiss resort town on Tuesday, Trump invoked those who predicted an “overpopulation crisis” and the end of oil, saying: “These alarmists always demand the same thing, absolute power to dominate, transform and control every aspect of our lives.” He also said: “This is not a time for pessimism, this is a time for optimism. Fear and doubt is not a good thought process, because this is a time for tremendous hope and joy and

optimism and action, but to embrace the possibilities of tomorrow, we must reject the perennial prophets of doom and their predictions of the apocalypse.” The World Economic Forum audience included 17-year-old climate activist Greta Thunberg, who brought a stark message to the business elite gathering in Davos: Everybody is talking about climate change, but nobody is doing anything. Trump has mocked Thunberg on Twitter. The forum is sounding 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. Trump’s remarks were largely focused on America’s economy as an example to other nations, which he urged to cut regulations and taxes. Trump sought to take credit for a booming economy, repeating his reelection arguments just hours before the US Senate was set to formally start his impeachment trial. “I’m proud to declare that the US is in the midst of an economic boom, the likes of which the world has never seen before,” Trump said. “We’ve regained our stride, rediscovered our spirit.” Later in the speech, he said “pessimists” can’t be allowed to reverse course: “We will never let radical socialists destroy our economy, wreck our country or eradicate our liberty.” The president’s record on the environment is under attack from Democratic challengers ahead of November elections. Some are calling for significant policy changes to deal with climate change. Trump claims credit for overseeing an economy enjoying its longest-ever expansion, with an unemployment rate that fell to a five-decade low after tax cuts and spending increases. The Standard & Poor’s 500 Index, which Trump regularly cites as a marker of success, is up about 25% from a year ago. Trump described low unemployment rates for African Americans and women. But his fight with China over trade and other protectionist policies have created uncertainty among businesses, especially manufacturers. Despite last week’s interim trade deal with Beijing, the International Monetary Fund on Monday predicted economic growth will moderate to 2% this year and 1.7% in 2021

from 2.3% in 2019 as fiscal stimulus wanes. In his speech at the Swiss resort, Trump said: "The American dream is back, bigger better and stronger than ever before." President Trump comments on the state of the US-China trade relations during his address at the World Economic Forum's annual meeting in Davos. The president repeated his grievances with the Fed, saying it raised rates too quickly and lowered them too slowly. Trump said in his speech that he and Chinese leader Xi Jinping "love each other" even after their fight over trade. "He's for China and I'm for the US, but other than that, we love each other," Trump said. Trump is due to hold bilateral meetings with Iraqi President Barham Salih, Pakistan's Prime Minister Imran Khan, European Commission President Ursula von der Leyen, Swiss President Simonetta Sommaruga and Nechirvan Barzani, president of the Kurdistan Regional Government, according to the White House. Trump will also meet with the forum's executive chairman, Klaus Schwab, and has said he'll meet with business leaders, too. He leaves Davos on Wednesday. This is Trump's second visit as president to the annual gathering of business chiefs, central bankers and foreign leaders. Hanging over the trip this time, however, is his impeachment trial set to formally begin in the Senate. Trump will almost certainly be acquitted by the Republican majority in the Senate, but the trial may produce surprises.

Energy Chiefs Tout CO2 Capture as Thunberg Slams Lack of Action



Capturing carbon dioxide from the fossil-fuel industry is key to slowing dangerous global warming, energy chiefs said in Davos as climate concerns dominated the annual business forum more than ever before. Oil and gas producers are under mounting pressure to help prevent a damaging rise in temperatures, and carbon capture is increasingly luring investors as a tool to curb emissions. Whether pulled from the exhaust of smokestacks or from the open air, the CO₂ can be buried underground or used to extract oil. "There are investors that care, that want to protect our environment; those investors are starting to make a difference for us," Vicki Hollub, chief executive officer of Houston-based Occidental Petroleum Corp, said on a panel in Davos. "Within two years we will be building the largest direct air capture facility in the Permian." Occidental's air capture site will separate carbon dioxide directly from ambient air. The CO₂ can then be injected into oil reservoirs to boost output in Texas's Permian Basin. "If we can perfect direct air capture, then we can use it anywhere," Hollub said. Climate concerns dominated the panel discussion, and run through the entire

program of this year's World Economic Forum. Climate campaigner Greta Thunberg spoke to a packed room in the WEF's opening session, issuing a sharp rebuke to leaders over the world's failure to curtail emissions. Also addressing the climate challenges facing the oil and gas industry was Fatih Birol, executive director of the International Energy Agency. Birol, like Hollub, touted the potential of carbon capture to help curtail emissions. Fatih Birol, IEA executive director, discusses "peak oil" and the need for carbon capture and storage. He speaks with Bloomberg's Francine Lacqua.

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.