

# Can Pakistan make transition to electric vehicles soon?



KARACHI: When you think of electric vehicles, you think of Elon Musk, a noiseless Tesla and luxury more than zero emissions. But today the government wants to use the same technology for the common man – to run bikes, rickshaws and even buses, jeeps and trucks. Will this transition from fossil fuel vehicles to electric vehicles in Pakistan happen anytime soon?

Cities are witnessing the worst ever smog. This was followed by a climate march with youth demanding climate justice.

Thus the Pakistan Tehreek-i-Insaf government could not have chosen a better time than when the UN climate summit COP 25 is taking place to make a strong case against tailpipe emissions from urban transportation, a major contributor to air pollution and climate change.

Little wonder then they quickly got the nod of approval by the cabinet for the first national electric vehicle (EV) policy.

With 43 per cent of the airborne emissions in the country coming from the transport sector, federal Minister for Climate

Change Malik Amin Aslam said that transitioning to EV provided a “huge opportunity” for the country.

“These will have many advantages for Pakistan – it will reduce pollution, will cut the cost of fuel by 70pc thereby [leading to] huge saving for FFV (fossil fuel vehicle) owners, and will cut the country’s import bill tremendously.”

There are three million private cars and 20m motorcycles and motorised rickshaws plying the roads, according to the Pakistan Bureau of Statistics, as cited in the Economic Survey 2018-19, mainly due to the absence of a good public transport system.

Riaz Haq, who has worked in various tech firms for 35 years in the Silicon Valley and is an EV enthusiast, said that with 32m households and 17.5m motorcycles registered in Pakistan, the motorcycle ownership increased from 41pc in 2015 to 53pc in 2018.

The new policy envisions using electricity to get 100,000 cars, 500,000 two- and three-wheelers, 1,000 buses and trucks to ply the roads in the next five years. By 2030 it sees 30pc of all new cars, big and small trucks, vans, and jeeps and 50pc of all two-, three- and four-wheelers to be electric vehicles reducing tailpipe emissions by 65pc. By 2040, if all goes well, 90pc of all vehicles on the roads will be EVs.

“The PM wants all new buses coming on the road to be electric hybrid – run both on electricity and CNG (compressed natural gas),” said the federal minister.

Most experts are lauding the policy as a step in the right direction. “It is a forward-looking step needed to deal with climate concerns from growing transport sector emissions with rapidly rising vehicle ownership,” Mr Haq wrote in his blog.

Another proponent for EVs, Islamabad-based energy expert Vaqar Zakaria, said that “surplus power generation capacity,

building off-peak demand for better utilisation of generation capacity which also brings down generation costs, poor urban air quality, high levels of noise from traffic and safer cars” are some of the reasons to make the move.

The automobile industry remains sceptical though. “I would love to see EV launched in Pakistan, but it means developing a huge set-up anew,” said Juzer Amreliwala, the chief executive officer of a Honda partner in Karachi.

“On the face of it, it looks great. But establishing proper after-sales set-up requires both capital and human investment. Although most dealerships have come quite far in technology development, much training is still needed,” he added.

Aware of the infrastructure that will be needed for EVs, the minister for climate change sees it as an opportunity with a whole new service industry and numerous livelihood options opening up. “Pakistan is thirsting for new business opportunities and markets. If we build our capacity technologically, Pakistan can become a hub for exporting EVs – especially two- and three-wheelers,” Mr Aslam said.

However, a potential problem with the policy is the plethora of government supervisors – nine ministries, the Higher Education Commission, the State Bank of Pakistan and various authorities in energy sectors. “This industry transcends so many domains that all these stakeholders had to be included,” explained Mr Aslam. “Interaction and cooperation between stakeholders are the mark of good governance.”

Vaqar Zakaria warns of the “vested interests” who may not like the transition. “Those that sell low quality fuel and cheat on quantity sold will not like it, the refiners will not like it, the car traders will not like it as the EVs will last longer, the industry as it presently will not like it, the FBR may say the government will lose taxes on imported fuel which are huge at the moment and a significant source of revenue for the

government. But as a consumer I will be delighted... if they only let me import EVs and E-bikes at reasonable cost.”

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## **Qatari-Turkish partnership an inspiring model of bilateral alliances, says al-Kuwari**



HE Ali bin Ahmed al-Kuwari, Minister of Commerce and Industry, is leading Qatar's delegation to the OIC High Level Public and Private Investment Conference, which is taking place in Istanbul from yesterday, under the theme of "Unleashing Intra-OIC Investment Opportunities: Investment for Solidarity and Development." The conference will end today.

Qatar's participation in the conference comes within the framework of its keenness to strengthen bilateral relations with Turkey and to bolster co-operation with OIC member states, while providing insight into the investment climate in

Qatar and the opportunities that the State offers in various promising sectors.

In his remarks, al-Kuwari said the conference represented a key step towards promoting trade and investment co-operation and integration among Islamic countries.

Al-Kuwari noted that numerous international institutions have lowered their estimates for global growth for the current year, including the Organisation for Economic Cooperation and Development (OECD), which noted in its latest November 2019 report that the global economy will grow at the slowest pace since the global financial crisis at a rate of 2.9% in 2019 and an average of 2.9%-3% between 2020 and 2021.

The International Monetary Fund (IMF) also projects that over 70% of economies around the world will experience a decline in GDP growth to 3.3% in the first half of the year compared to 3.6% in 2018, al-Kuwari added.

Al-Kuwari explained that these estimates reflect delicate geostrategic and economic changes that coincided with a slowdown in multilateral trade and the negative repercussions of political uncertainties, which are leading to rising economic nationalism and protectionist measures at the global trade level, which resulted in a slowdown in various global economic sectors, especially foreign direct investments.

Al-Kuwari said the decline in investment inflows was evident across OIC Member States, noting that FDI inflows into the OIC region stood at \$107.4bn in 2018, dropping by \$35.6bn compared 2011. Al-Kuwari noted that this decline reflects the magnitude of the challenges faced by investors in OIC countries, particularly in terms of restrictions imposed on the transfer of profits and foreign capital. Al-Kuwari called for the adoption of a comprehensive economic strategy to encourage investment inflows and stimulate growth in a way that reflects the economic capabilities and potential of member states in a bid to achieve economic integration and promote joint Islamic action.

Touching on Qatar's economic performance, al-Kuwari explained that the Qatari economy saw a balanced and flexible

performance in the midst of these global conditions. In this context, al-Kuwari highlighted Qatar's efforts to support the private sector and to diversify its economy in line with the National Development Strategy 2018-2022, which aims to promote the growth of added value sectors including the industrial, financial services and tourism sectors.

Al-Kuwari highlighted that Qatar has sought to speed up the implementation of key initiatives and measures aimed at cementing the country's position as an attractive business and investment destination.

Touching on Qatar's legislative environment, al-Kuwari emphasised Qatar's keenness to consolidate foreign investment-friendly laws such as the law regulating the investment of non-Qatari capital in economic activity and the Free Zones Investment law, which allow investors up to 100% ownership.

Al-Kuwari noted that Qatar is embracing a policy of economic openness to effectively engage with global markets, and build fruitful international partnerships, by capitalising on its developed infrastructure such as Hamad International Airport and Hamad Port as well as free zones and logistical and industrial areas, which represent an important incentive for foreign companies to invest in non-oil sectors to tap local markets and expand their business into new regional markets.

Al-Kuwari elaborated on the Qatari-Turkish strategic partnership, which represents an inspiring model of bilateral regional alliances.

Al-Kuwari explained that Qatar and Turkey enjoy close and friendly relations, noting that these relations reflected positively on bilateral trade, which reached about QR5.69bn, the equivalent of \$1.55bn between January and September 2019.

Al-Kuwari added that the growth in bilateral trade reflects the effectiveness of Qatari-Turkish joint measures and initiatives particularly the Trade and Economic Partnership Agreement that was signed in November 2018.

Al-Kuwari noted that this agreement represents a decisive step in bolstering economic integration between Qatar and Turkey, adding that the benefits of the agreement outweigh those

secured within the framework of the World Trade Organisation in terms of preferential transactions and customs exemptions for goods and services as well as the incentives it offers to investment companies in both countries.

Al-Kuwari praised Turkish companies for contributing to the growth of the Qatari economy, noting that more than 535 Qatari-Turkish joint companies are currently operating in Qatar.

Al-Kuwari concluded his remarks, noting that the purpose of his participation in the conference is to bolster joint Islamic action in line with the OIC principles and objectives, and to develop co-operation and co-ordination mechanisms among member states to promote investments and to serve the developmental orientations and aspirations of people in terms of stability and prosperity.

During its participation in the conference, the Qatari delegation showcased the most prominent laws and legislations that the State ratified to stimulate foreign direct investments, in addition to the incentives and services offered to investors to streamline the submission of investment applications and the processing of transactions, and to eliminate obstacles that may face investors with relevant authorities, which will contribute to attracting foreign direct investments and enhancing Qatar's competitive position in the region and beyond.

The conference aims to promote investments within the framework of the OIC by reducing obstacles that impede the flow of goods, services and financing between OIC member states and adopting mechanisms that facilitate business procedures.

The conference provides a platform for public and private policymakers in OIC member states to discuss issues of common interest including innovative financing sources for the development of the private sector and the enhancement of the global value chain as well as the role of export credit agencies in mitigating trade and political risks to encourage and protect investments, in addition to the dynamics of the



private sector to enhance investment flows within OIC and the role of investment promotion agencies in promoting investments within the organisation's framework among other topics aimed at enhancing sustainable partnerships between public and private sector stakeholders in member countries and stimulating investments in the region.

The High Level Public and Private Investment Conference is organised and sponsored by Turkey, the Organisation of Islamic Cooperation and the Islamic Development Bank. The conference, which sheds light on various sectors including the trade, agricultural and infrastructure sectors, brings together 750 participants from 56 countries, including heads of states, ministers, senior officials, decision makers and business leaders.

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## **Spain smooths way for LNG to boost biggest storage hub in Europe**



Spain is undergoing the biggest overhaul of its liquefied natural gas system in an effort to boost its role as a key storage and trading hub for the fuel. With more LNG terminals than any other country in Europe, Spain is turning its domestic-focused network into one more accessible to global traders. Starting next year, the country plans to reform its storage limits and fees that have in the past deterred shippers from stockpiling and reloading LNG there. The timing couldn't be better as new plants from the US to Russia add ever more LNG to a market in a market that's already testing storage limits. That supply glut resulted in a record number



of LNG cargoes sailing to Europe last month, a trend poised to continue through the rest of the year.

“The high costs of using Spanish infrastructure meant that Spain largely lost out to other European countries in the reload arbitrage to Asian markets in 2017-18,” said Leyra Fernández Díaz, a global gas analyst at Energy Aspects Ltd. “This will likely no longer be the case after the reforms.” Spain’s terminals have about the same combined storage capacity as its two closest rivals, Britain and France, put together, according to Gas Infrastructure Europe. Spain also boasts the oldest working terminal in Europe, with its Barcelona facility in operation since 1968. From October next year, LNG traders using Spain’s terminals won’t need so-called bundled deals that oblige them to deliver gas into the nation’s grid. They’ll also be able to tender for space over set periods, a common practice at other European hubs. “LNG storage capacity will be offered as an unbundled service through regular auctions as standard products: yearly, quarterly, monthly, daily and intra-daily,” said Agustin Alonso of Spain’s National Commission of Markets and Competition.

“Users will have to pay the price resulting from the auction for the whole amount of the capacity booked, regardless of whether they use it or not.” It’s a departure from the present system, which is geared toward supplying Spain, the European Union’s sixth-biggest gas user. Daily fees are charged for storage and stiff penalties are imposed for those who exceed set thresholds including how long they hold supplies. Abolishing those penalties will cut about \$0.56/mmbtu from the cost of storing a cargo for a month, according to Energy Aspects. That’s about 10% of the current benchmark rate for LNG in Asia, the biggest user of the fuel. That would be welcome news to LNG traders who this summer and autumn had little choice but to dump cargoes in Spain as a wave of incoming supplies filled Europe’s storage sites. While Spain

did import LNG as utilities burned more gas, what traders often need is a place to keep fuel for re-exporting or for use in the future. A reduction in tariffs still needs to be approved by the CNMC. Capacity products will be available from October 1, and the first auction of the yearly products will take place in September. Spain may still have a way to go to rival the trading hubs of Britain's National Balancing Point and the Title Transfer Facility in the Netherlands.

Both have extensive cross-border pipeline links and liquid trading markets that Spain lacks. "This initiative might increase trading in Spain a little bit but will it make any difference to European gas trading? I doubt it," said Patrick Heather, a senior research fellow at the Oxford Institute for Energy Studies. Even so, the reforms complement plans unveiled earlier this year to treat all of Spain's LNG terminals as a single virtual hub. The aim is to boost trading between the ports and reduce congestion at a particular location. Current rules make traders trade within a specific terminal. "Storing at onshore LNG terminals in Spain is to become more competitive than floating storage," Energy Aspects' Fernandez Diaz said. "The creation of the virtual LNG hub will abolish costly penalties for storing LNG."

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**Measuring  
Democratically**

**Growth**



or decades, gross domestic product has captured the attention of economists and policymakers around the world, offering a single, simple proxy for economic growth. Yet for all of its convenience, it is a poor proxy for human progress, and could easily be improved with a complementary metric that weighs citizens more equally.

WASHINGTON, DC – Abhijit Banerjee and Esther Duflo, two of this year's recipients of the Nobel Memorial Prize in Economic Sciences, are the latest among leading economists to remind us that gross domestic product is an imperfect measure of human welfare. The Human Development Index, published by the United Nations Development Programme, aggregates indicators of life expectancy, education, and *per capita* income and has long been available as an alternative to *per capita* income alone. In 2008, Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi outlined the many failures of GDP for the French government-sponsored Commission on the Measurement of Economic Performance and Social Progress. Subsequent OECD-sponsored work elaborated on their findings, and related research by the Brookings Institution's Carol Graham (on subjective wellbeing) and Duke University's Matthew Adler (on the measurement of social welfare) has received well-deserved acclaim.

Nonetheless, GDP continues to reign supreme in the halls of power. Policymakers around the world are constantly awaiting the latest quarterly data on GDP growth, and variations of one-tenth of a percentage point are regarded as significant indicators of macroeconomic performance. The International Monetary Fund's *World Economic Outlook* may include in-depth analysis across a wide range of topics, but it always starts with GDP.

To see why treating GDP growth as a proxy for progress even in terms of income alone is highly problematic, consider the case of a country with ten citizens and a GDP of \$190, where nine citizens start with \$10 each and the tenth citizen starts with \$100. (Moreover, assume that GDP is equal to national income, so that net factor income from abroad is zero.)

Now, imagine that the first nine citizens experience no income growth in a given year, while the tenth enjoys a 10% increase. GDP will have increased from \$190 to \$200, implying an annual growth rate of approximately 5.26%. This is reflected in the usual way national income is computed. Individuals are weighed by their share of total income, and that 5.26% rate represents a weighted average in which the income growth of the tenth citizen counts nine times more than that of each of the other nine citizens.

Contrast this example with one in which the same country uses a “democratically” measured growth rate, weighing each individual equally as a share of the population rather than as a share of total income. Here, the growth rate would reflect the weighted sum of nine 0% growth rates and one 10% growth rate, each weighed at one-tenth, with a resulting total growth rate of 1%.

The weighing of individuals by their share of income is not generally perceived by the public. But this implicit practice is important to point out, because it enshrines the principle of one dollar, one vote, rather than one person, one vote. It

is essential for assessing the total size of a market or the economic “power” of a country, but it does not capture an economy’s performance for its citizens.

This is hardly the only reason why GDP is an inadequate measure of human wellbeing. It also ignores people’s need for respect, dignity, liberty, health, rule of law, community, and a clean environment. But even if all of these other democratic “goods” were satisfied, GDP still would fail as a metric of progress, purely in terms of income alone.

Building on work by the economists Thomas Piketty, Emmanuel Saez, and Gabriel Zucman, the Center for Equitable Growth has proposed “GDP 2.0,” a metric that would complement existing aggregate GDP reports by disaggregating the income growth of different cross sections of the population (such as income quintiles). Providing this kind of distributional picture regularly would require increased coordination among government departments, as well as some conventions on, for example, how to use tax data to complement the usual national accounts. But conventions are also needed for existing national income accounting.

Provided that distributional data are routinely available, one could compute a growth rate based on the weighted average across each decile of the income distribution, with equal weighting for population, as in the example above. Individuals would still be weighed by their incomes *within* each group (which is why it would be preferable to use deciles rather than quintiles), but the final product would be much closer than current methods to the “democratic” ideal.

One of the main advantages of GDP growth is that it is expressed with a single number, whereas other performance indicators either are presented within dashboards comprising multiple metrics or aggregated in essentially arbitrary ways. The implicit use of income shares as aggregation weights is perfectly appropriate for macroeconomic analysis and is not

arbitrary. The problem arises when GDP becomes a proxy for progress. What we can measure easily and communicate elegantly inevitably determines what we will focus on as a matter of policy. As the Stiglitz-Sen-Fitoussi report put it, “What we measure affects what we do.”

Publishing a democratic metric like the growth rate of GDP 2.0 is no pipedream. A GDP growth rate using equal weights for each decile of the population would also produce a *single number* to complement the usual growth rate. True, it still would not capture the substantial differences *within* the top decile in many countries where the top 1% have been gaining disproportionately compared to everyone else. And we still would need other metrics to measure performance in dimensions other than income. But as a single figure published alongside GDP growth, it could go a long way toward changing the dominant conversation about economic performance.

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# **Climate change crisis: global action needed before it's too late**



Scientists said that average temperatures from 2010-2019 look set to make it the warmest decade on record.

Provisional figures released by the World Meteorological Organisation (WMO) suggest this year is on course to be the second or third warmest year ever.

If those numbers hold, 2015-2019 would end up being the warmest five-year period in the record.

This “exceptional” global heat is driven by greenhouse gas emissions, the WMO says.

The organisation’s State of the Global Climate report for 2019 covers the year up to October, when the global mean temperature for the period was 1.1C above the “baseline” level in 1850.

Many parts of the world experienced unusual levels of warmth this year.

South America, Europe, Africa, Asia and Oceania were warmer than the recent average, while many parts of North America were colder than usual.

Two major heat waves hit Europe in June and July this year, with a new national record of 46C set in France on June 28.



New national records were also set in Germany, the Netherlands, Belgium, Luxembourg and the UK.

In Australia, the mean summer temperature was the highest on record by almost a degree.

Wildfire activity in South America this year was the highest since 2010.

The WMO clearly links the record temperatures seen over the past decade to ongoing emissions of greenhouse gases, from human activities such as driving cars, cutting down forests and burning coal for energy.

"On a day-to-day basis, the impacts of climate change play out through extreme and 'abnormal' weather.

And, once again in 2019, weather and climate-related risks hit hard," said the WMO's secretary-general Petteri Taalas.

"Heatwaves and floods which used to be 'once in a century' events are becoming more regular occurrences. Countries ranging from the Bahamas to Japan to Mozambique suffered the effect of devastating tropical cyclones. Wildfires swept through the Arctic and Australia," Taalas continued.

"It's shocking how much climate change in 2019 has already led to lives lost, poor health, food insecurity and displaced populations," said Dr Joanna House, from the University of Bristol.

The World Health Organisation (WHO) has warned that climate change is mostly affecting human health, affirming that it causes the death of 7mn people annually in the world's various regions.

A large number of people suffer annually from pollution, heat stress, injuries and deaths resulting from extreme climate variability and insect-borne diseases such as Malaria, revealed Maria Neira, Director of WHO's Department of Environment, Climate Change and Health, in a report about the impact of climate change on human health, during the UN Climate Change Conference in Madrid.

Neira urged governments to take serious measures to reduce greenhouse gas emissions, as air pollution and climate change kill 7mn people annually.

“Health is paying the price of the climate crisis, because our lungs, our brains, our cardiovascular system is very much suffering from the causes of climate change which are overlapping very much with the causes of air pollution,” said Neira, calling the lower than 1% of international financing for climate action that goes to the health sector “not enough and absolutely outrageous”. The Director considered climate change as potentially the greatest health threat of the 21st Century, explaining that governments find difficulties in obtaining international climate finance to protect the health of their people and prevent the effects of this ongoing climate change.

The Climate Change Conference in Madrid, we hope, will strengthen the global action against this climate emergency and fulfil Paris’ climate agreement starting 2020.

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## **The ECB needs a new mandate**



BERLIN – The European Central Bank’s (ECB) decision in

September to pursue more monetary-policy easing was controversial, with one board representative, from Germany, resigning over the move. But one of the most remarkable features of the ECB's position has not gotten enough attention: the admission that inflation expectations have become de-anchored, and that without fiscal-policy support, the central bank will probably fail to fulfill its price-stability mandate for the foreseeable future.

In fact, many observers, and even several members of the ECB's governing council, now argue that the bank needs to adapt its mandate with a new definition of price stability in mind. They are right, but there is one crucial caveat.

Since central-bank independence was strengthened in the 1990s, it has become clear that, in normal times, the specific mandate does not matter much. The United States Federal Reserve managed to guide expectations and achieve price stability with its dual mandate, price stability and maximum employment, just as well as the Bank of England or the ECB, with their narrower price-stability mandates.

After the global financial crisis, however, the traditional mandate proved inadequate to cope with large-scale financial instability, fickle market confidence and political paralysis. Developed-country central banks had to devise policies on the fly, without a guiding framework. Each in its own way pursued unprecedented monetary easing, massively expanding its balance sheet, in order to provide much-needed support to the economy.

In many ways, these measures succeeded: Monetary expansion played a major role in pulling the economy back from the brink. But, over time, central banks' capacity to affect the real economy declined. Today, and for the foreseeable future, domestic inflation is increasingly affected by global, rather than local, developments, and financial (in)stability and fiscal policy are far more influential than monetary policy.

For the ECB, this generates a particularly serious challenge. After all, unlike other central banks, it must account for the preferences of 19 sovereign national governments, with little to no structural or fiscal-policy coordination. The eurozone is also highly fragmented financially, lacking a common capital market, a unifying safe asset or macroeconomic stabilisation tools.

The ECB needs a more realistic and flexible mandate. Given the eurozone's fragmented nature, that mandate should probably still be centered on price stability. But it should also recognise that the current definition of price stability, "below, but close to, 2 per cent inflation over the medium term", is too narrow.

A broader definition is needed, according to which the ECB pursues a symmetric inflation target of 2 per cent, within a 1.5-2.5 per cent band, over a longer time horizon. Some advocate an even higher target: For example, Olivier Blanchard, a former International Monetary Fund chief economist, has proposed re-anchoring expectations at 4 per cent. A different proposal, from New York Federal Reserve President John Williams, is to target a price level, rather than an inflation rate.

A commitment to more broadly defined price stability in the long term would give the ECB more space during times of crisis, thereby enabling it to account better for risks to financial stability and the real economy. This would help it to stabilise prices more quickly, bolstering its credibility.

By contrast, when the ECB consistently fails to meet its price-stability objective, as it has for the last five years, it loses credibility. And, indeed, the ECB has faced harsh criticism, sometimes warranted, often not, over its implementation of untested expansionary monetary policies since 2008, partly because the measures were often poorly understood by the public. The loss of credibility has

undermined the ECB's capacity to fulfill its objectives, creating a vicious circle that threatens its de facto independence.

This is why the timing of any mandate change must be chosen very carefully. If the ECB tries to move the goalpost while it is missing the shot, the short-term blow to its already diminished credibility could be serious. Given this, the ECB must work to strengthen its standing before it adjusts its mandate, including by attempting to reach the existing price-stability objective after years of failure.

At the same time, the ECB must communicate better what its capabilities are. Some have urged the ECB to try addressing the solvency problems of banks or governments during the crisis. Others would like the ECB to discipline governments to do the "right" thing and consolidate spending. A central bank must do neither and would utterly fail if it tried. But these attempts have hurt the ECB's standing, particularly in Germany, and have diminished its credibility.

Clarifying the contents of the ECB's policy toolbox, including sovereign-bond purchases and other non-standard measures, would go a long way toward protecting the ECB from such attacks in the future. And when the time comes to shift its objectives, the ECB must communicate the change, which, to be sure, may not need to be as big as many believe, clearly and thoroughly.

US President John F. Kennedy was right: the time to repair the roof is when the sun is shining. The ECB cannot revise its mandate until the current storm has passed. But, with water pouring in, it cannot afford to wait very long. The sooner the ECB does what is needed to restore its credibility, the sooner it can do what is needed to protect itself from future storms.

Marcel Fratzscher, a former senior manager at the European Central Bank, is president of the think tank DIW Berlin and

## Thousands of UK jobs at risk as E.ON breaks up Npower

German energy group E.ON plans a £500mn (\$642mn) break-up of the struggling British Npower division it inherited from Innogy, which a union said could put up to 4,500 jobs at risk. The revamp, the latest among established British retail power providers, effectively removes one of the market's so-called 'Big Six' players, which have lost customers to nimbler recent entrants and been hit by a regulatory price cap.

E.ON's plan includes managing Npower's residential and small and medium-size business customers on the same platform as its own, while putting Npower's industrial and commercial customers into a separate business.

The rest of Npower will be closed.

E.ON chief executive Johannes Teyssen said the group would examine options for Npower's industrial and commercial business, the division's only profitable part, suggesting it might be sold at some point.

The shake-up will result in up to 4,500 job losses at Npower, British union UNISON said, nearly 80% of the division's total staff.

"The UK market has been very challenging for several years," Teyssen said. "Churn (customer switching) rates are high, margins slim, and the price caps introduced this year have exacerbated the situation.

No company operating there has been spared these difficulties."

Teyssen said talks with British unions about the plans had started. Shares in E.ON were up 1.6% at 0951 GMT.

“We see this initial update as encouraging, given likely low market expectations around the outlook for Npower,” Jefferies analysts wrote, keeping a “buy” rating on E.ON stock.

Npower has been suffering more than its large rivals, including E.ON itself, Centrica’s, SSE, EDF and Iberdrola, partly because of internal billing problems.

E.ON said it expected its combined British business to achieve at least 100mn pounds of earnings before interest and tax (EBIT) and positive free cash flow from 2022 onwards. E.ON took over Npower as part of a far-reaching asset swap with RWE that included the break up of Innogy.

The deal, first announced in March 2018, has turned E.ON into a pure energy retail and networks group.

As a result of the transaction, E.ON’s net debt nearly doubled to €39.6bn (\$43.7bn) at the end of September.

E.ON also said yesterday the deal had led it to raise its 2019 adjusted EBIT forecast to €3.1-3.3bn from 2.9-3.1bn.

In the first nine months of the year, adjusted EBIT fell 6% at €2.2bn.

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## **Solar power project for auction in South Pakistan**





Pakistan is entering into a new era of attracting power projects through competitive bidding to provide cheaper electricity to end-consumers, as Sindh government is all set to auction the first-ever project through the bidding process by March 2020. To date, the country has attracted power projects by offering incentives to investors under the cost-plus tariff formula, which ensured a fixed internal rate of return (IRR) to investors.

The achievement of surplus installed capacity of power production in recent times allowed authorities to make a shift towards new power projects through the tariff-based competitive bidding. "We are set to auction the first 50-megawatt (MW) solar power project at Manjhand (district Jamshoro) through competitive bidding by February-March," Sindh Solar Energy Project (SSEP) Project Director Mehfooz A Qazi said. The 50MW project is part of the planned 400MW solar power park in Sindh that is estimated to attract new investment of around \$250mn. "We aim to auction all the potential 400MW solar power projects by 2021 and start supplying electricity to the national power grid within the next

five years (2023-24)," he said. The World Bank is providing financial and technical support for establishing the solar park. "World Bank has provided an assistance of \$100mn for four different solar power projects, including \$30mn for establishing the 400MW solar park," he said. In this backdrop, the energy department of the government of Sindh appointed a consortium of foreign and local advisers to auction the 400MW power projects.

The consortium comprises Bridge Factor (Pakistan) and Tractebel Engie (Germany) in association with Renewable Resources Limited (Pakistan), Ashurst Law (Singapore) and Axis Law (Pakistan). On behalf of the government of Sindh, Qasim inked the contract with the consortium to hire its services in the presence of Provincial Energy Minister Imtiaz Ahmed Shaikh at Energy Department. The project director hoped the solar projects would attract an investment of around \$250mn, considering the country has recently attracted \$38mn investment for a 50MW solar project under the old formula of cost-plus tariff. "We are highly hopeful the projects will provide cheaper and clean energy in the country," he said. Earlier, the National Electric Power Regulatory Authority (Nepra) had announced an upfront tariff of 5.23 cents per unit (Kilowatt per hour) to attract solar projects under the old formula of cost-plus tariff. "The competitive bidding will surely attain a comparatively cheaper tariff than the upfront tariff," he said. The competitive bidding process allows the Sindh government to accept the lowest tariff-bid from new potential investors. Later-on, it may ask other investors to match the lowest bid to become part of the 400MW solar park. He said the investors would offer the much cheaper tariff than the upfront one, as cost of solar power projects has massively gone down over a period of time. "The government awarded a (high) tariff of 15-16 cents per unit for the first solar park (Quaid-e-Azam Solar Park of 100MW set up in Bahawalpur, Punjab) years back. The cost of solar power projects has further cut down since Nepra approved the up-

front tariff of 5.23 cents per unit for solar power,” he said. Solar remains one of the low- cost sources of electricity generation in the energy mix in the country. More importantly, the federal government has planned to increase the share of solar power to around 25% by 2025 compared to around 4-5% at present. Qazi said the demand for electricity has been increasing by 5-7% per year. “The surge in demand may come comparatively higher and quicker considering the country is set to see acceleration in economic growth going forward.”

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## **Qatargas LNG production achieves ‘best in class’ reliability performance of 98.8% in 2019**



Qatargas' liquefied natural gas (LNG) production is on target achieving the “best in class” reliability performance of 98.8%

while the Laffan Refinery achieved a strong reliability of 98.6%, well ahead of the current year targets.

The world's top LNG company's "achievements in 2019 and its strong performance" in a wide range of areas were highlighted at its Annual Town Hall meetings held in Doha and Al Khor recently.

The company also completed "successful and safe" shutdowns of three of its mega LNG trains to ensure their reliability.

Qatargas maintained a "strong environmental and safety performance" as it achieved a flaring rate of 0.38 against a target of 0.44 thanks to a successful flare reduction project whereas the greenhouse gas (GHG) emission rate showed 0.35 against a target of 0.42.

In the year under review, Laffan Refinery 1 marked 10 years of operation without any Lost Time Incident (LTI) and the company successfully completed two key environmental projects – the Waste Materials Management facility and the Treated Industrial and Process Water facility.

Updates on the North Field Expansion (NFE) and North Field Production Sustainability (NFPS) projects were provided during the event.

While the NFPS project will ensure that the current production capacity of the North Field offshore wells is well maintained into future, the NFE project will further enhance Qatar's production capacity from the current 77mn tonnes per year (Mtpy) to 110mn Mtpy by 2024. Updates on the Barzan Pipeline and Helium 3 projects were also provided during the event.

The 2020 strategic goals, as explained during the meetings, included striving for an "Incident and Injury Free" workplace, improving uptime availability, reliability and utilisation of the LNG plants to achieve full plant capacity and meet supply rights; and enhancing and promoting reliability culture across the organisation to drive efficiency.

In addition, further strategic goals were identified as maximising revenue by penetrating new markets; maximising customer satisfaction while retaining contractual and financial performance; and achieving Qatarisation targets through a skill-based Qatarisation strategy.

At the events, Qatargas performance, challenges and strategic goals were reviewed.

The Town Hall meeting is an open forum for employees to meet

with Qatargas' chief executive officer and the management leadership team for discussions on the company's performance, future challenges and strategic goals for the year ahead.

A question and answer session followed in which Qatargas CEO Sheikh Khalid bin Khalifa al-Thani, and the management team replied to employee's questions and enquiries on work-related matters.

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## Natural gas in increased focus on world stage, al-Kaabi tells GECF meeting



Natural gas is getting increased focus on the world stage as it provides the right balance of reliable and secure sources of energy, which can not only drive growth but also help address the environmental concerns, Qatar has said.

HE Minister of State for Energy Affairs Saad bin Sherida al-Kaabi, made this remark at the extraordinary ministerial meeting of the Gas Exporting Countries Forum (GECF) in Malabo, Equatorial Guinea.

The extraordinary meeting is held in preparation of the fifth Heads of State Summit, which will also be held in Equatorial Guinea.

Referring to the relevance of associating the UN Sustainable Development Goals with greater access to a versatile, flexible, economic, and clean source of energy, he said: "we

are pleased to note the increasing attention natural gas is receiving as an important clean fuel in the global energy mix, and as a significant contributor to economic prosperity and environmental efforts to reduce emissions.”

Many countries around the world are reaching the conclusion that natural gas does provide the right balance of reliable and secure sources of energy, which can drive economic growth, and help address environmental concerns at the same time, said al-Kaabi, who led Qatar’s delegation.

Qatar will hold the sixth heads of state summit of GECF in 2021.