



US gas glut gets hedge funds ultra bearish

LONDON, Feb 26 (Reuters) – Portfolio investors have become extremely bearish about the outlook for U.S. gas prices, even though prices have already fallen to their lowest level in real terms since futures began trading in 1990.

Hedge funds and other money managers sold the equivalent of 399 billion cubic feet (bcf) in the two major futures and options contracts linked to prices at Henry Hub in Louisiana over the seven days ending on Feb. 20.

Fund managers have been net sellers in each of the most recent five weeks, selling 2,085 bcf since Jan. 16, according to position reports filed with the U.S. Commodity Futures Trading Commission.

As a result, the combined position has been reduced to a net short of 1,675 bcf (3rd percentile for all weeks since 2010) down from a net long of 410 bcf (42nd percentile) in the middle of January.

The gas market has been chronically oversupplied in recent

months, with inventories 436 bcf (+21% or +1.26 standard deviations) above the prior 10-year seasonal average on Feb. 16.

The surplus has swelled consistently since the start of the winter heating season on Oct. 1, when it was just 64 bcf (+2% or +0.24 standard deviations).

Chartbook: Gas and oil positions, opens new tab

Exceptionally strong El Niño conditions over the Pacific ensured temperatures have been mostly above average across the major population centres of the northern United States.

Domestic gas production has continued to increase, in spite of the relatively low prices, adding to the burgeoning surplus of gas in storage.

The rig count for gas has actually increased marginally since September 2023 as producers have been unresponsive to falling prices until the last few weeks.

In addition, more associated gas is being produced as a co-product of drilling for oil, where prices are close to the long-term inflation-adjusted average and drilling rates are steady.

From a purely positioning perspective, the balance of risks must lie to the upside, with real prices at multi-decade lows and lots of short positions that must eventually be repurchased.

Short positions have only ever been greater in the first quarter of 2020, when stocks were at record levels and the economy was bracing for the arrival of the first wave of the coronavirus epidemic.

So there is potential for a huge short-covering rally if and when the news flow becomes more positive and inventories start to erode.

But hedge fund managers have tried and failed to identify the turning point three times in the last twelve months and been forced to retreat each time.

Bloated gas stocks in Europe and Japan after the price spike of 2021/22 will make it hard for the market to rebalance via increased exports.

Many analysts now expect the rebalancing to be postponed until the winter of 2024/25 with prices likely to remain suppressed until nearer then.

PETROLEUM

Investors continued to add to their position in petroleum-related futures and options over the seven days ending on Feb. 16, but at a slower rate than in previous weeks.

Hedge funds and other money managers purchased the equivalent of 17 million barrels in the six most important petroleum-linked futures and options contracts.

All the buying was concentrated in NYMEX and ICE WTI (+29 million barrels) with small sales in Brent (-4 million), European gas oil (-4 million), U.S. diesel (-4 million) and U.S. gasoline (-1 million).

Even after the recent buying, positions in WTI remain the most bearish of any of the major oil contracts, weighed down by the continued rise in domestic oil production, even as OPEC restricts Middle East supplies.

The net position in NYMEX and ICE WTI of 109 million barrels is still in only the 8th percentile for all weeks since 2013.

That compares with net positions in Brent, gasoline and the distillates contracts all between the 60th and 70th percentiles.

WTI buying seems to have been motivated by unwinding previous bearish short positions (-17 million barrels) and cautious initiation of new longs (+13 million).

Crude inventories around the NYMEX WTI delivery point at Cushing in Oklahoma are still 14 million barrels (-32% or -1.14 standard deviations) below the prior 10-year seasonal average. Despite an extended shutdown of BP's refinery at Whiting in Indiana, Cushing stocks have increased only slightly in the last two weeks, underscoring the risk of a squeeze on deliverable supplies.

With positioning so bearish, the balance of risks lies to the upside; some fund managers have begun to cut short positions and get long accordingly.



G20 finance meeting to set aside geopolitics, focus on economics

With their countries deeply divided over Israel's attacks on Gaza, finance officials from the Group of 20 major economies are poised to set aside geopolitics and focus on global economic issues when they meet in Sao Paulo, Brazil this week.

Brazil, keen to ensure a productive session that delivers consensus on key economic priorities, has proposed a much shorter closing statement than seen in recent years – a move already negotiated with other members, according to a Brazilian government source and two sources familiar with the draft.

The South American country is the current G20 president.

The latest draft, still being finalized, mentions the risks of global fragmentation and conflicts in general terms but omits any direct reference to Russia's invasion of Ukraine or the Israel-Gaza war, the sources said.

Finance officials and central bankers from the U.S., China, Russia and the world's other largest economies will meet in Sao Paulo to review global economic developments at a time of slowing growth, the growing strains of record debt burdens, and worries that inflation may not yet be tamed, which are keeping interest rates high.

The International Monetary Fund last month said the chance of a "soft landing" in which inflation falls without triggering a painful global recession had increased, but warned that overall growth and global trade remained lower than the historical average.

Russia's invasion of Ukraine almost exactly two years ago roiled the G20, exposing long-simmering fault lines within the group and thwarting efforts by G20 officials to reach consensus on a final statement, or communique, after their meetings.

India and Indonesia, which held the G20 presidency before Brazil, opted for chair statements summarizing areas of agreement and noting dissenting voices – namely Russia – but even that could prove difficult given the bitter divisions over the four-month war in Gaza. The war erupted when the ministers last met in Marrakech, Morocco in October, intensifying divisions between the United States and its Western allies, and non-Western countries in the G20.

Brazil, Saudi Arabia and South Africa have been outspoken critics of Israel's relentless assault on Gaza since the Oct. 7 surprise attack in which Palestinian Islamist group Hamas killed around 1,200 people and seized 253 hostages, one G7 source said. The retaliatory attacks have killed more than

29,000 Palestinians, according to the Gaza health ministry.

The U.S., meanwhile, last week vetoed a draft United Nations Security Council resolution on the Israel-Hamas war, blocking a demand for an immediate humanitarian ceasefire and pushing instead for a temporary ceasefire linked to the release of the remaining hostages held by Hamas.

The deep differences over Gaza necessitated a different approach this year, the Brazilian official said, adding, "If the topic is included, there will be no consensus."

To prevent differences over Gaza from derailing progress on economic issues, Brazil proposed a shorter statement with no specific mention of either war. Washington argued against language holding Israel accountable, which South Africa and others had argued was needed if the statement mentioned and condemned Russia's war against Ukraine, a G7 source said.

G7 finance officials, also meeting in Sao Paulo, will be forceful in their condemnation of Russia and its war, a second G7 source said.

'BROADER ETHOS'

Brazil wants to focus this week's discussions on ending inequality and hunger, reforming international taxation, addressing sovereign debt distress and working toward sustainable development. Reforms of multilateral banks and climate finance will feature more prominently at the spring meetings of the IMF and World Bank in Washington in April, the Brazilian source and a G20 source said.

Mark Sobel, the U.S. chair of the Official Monetary and Financial Institutions Forum (OMFIF), said stripping geopolitics from the communique made sense for a group that had historically focused on economic and financial issues.

"Yes, it reflects fractiousness, but it also reflects this

broader ethos of the finance ministers and central bankers to focus on economic and financial matters in a technical way," he said.

One G7 official said the statement would likely be "concise and ambiguous, only mentioning issues where there's no contention."

U.S. Treasury Secretary Janet Yellen plans to underscore the importance of the G20 body, highlighting collaborative efforts to address global challenges such as sovereign debt and the COVID-19 pandemic, a senior U.S. official said.

Yellen will meet with Brazilian Finance Minister Fernando Haddad to celebrate 200 years of U.S.-Brazil relations, an event the Brazilian official said was designed to highlight the South American country's "interest in not embracing a divisive approach, but focusing on constructive efforts."

One unresolved issue is to what extent the U.S., Japan and Canada will prevail in demanding a mention of the economic impacts of geopolitical conflicts in the communique, the first Brazilian official said.

But the failure of G20 foreign ministers to include the issue sent a strong signal, the official said.

"The outcome of the sherpas meeting strengthens our understanding that the topic (of geopolitics) should not be included in the communique."

Eric Pelofsky, a former senior U.S. official now with the Rockefeller Foundation, said there was value in meeting in configurations like the G20, despite clear differences.

"Sometimes talking without success is still talking. Maybe that means that at the end of the day, somebody has a coffee that they weren't supposed to have and they find a bit of common ground that they weren't supposed to know existed."



Ras Laffan petchem complex to reinforce Qatar's position in global petrochemical industry

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Qatar's strong position in the global petrochemical industry will be further enhanced with the \$6bn Ras Laffan Petrochemical Complex, one of the largest in the world, will start production by the end of 2026.

By then, Qatar's overall petrochemical production capacity is estimated to touch 14mn tonnes a year.

The Ras Laffan Petrochemical Complex is Qatar Energy's largest investment ever in Qatar's petrochemical sector, and marks an important milestone in the country's downstream expansion strategy.

The petrochemical complex will not only facilitate further expansion in Qatar's downstream and petrochemical sectors, but will also reinforce the country's integrated position as a major global player in the upstream, LNG and downstream sectors.

The Ras Laffan Petrochemicals complex consists of an ethane cracker with a capacity of 2.1mn tonnes of ethylene per year. The 435 -acre project site also includes two polyethylene trains with a combined output of 1.7mn tonnes per year of high-density polyethylene (HDPE) polymer products. His Highness the Amir Sheikh Tamim bin Hamad al-Thani laid the foundation stone for the Ras Laffan Petrochemical Complex on February 19.

QatarEnergy has joined hands with Chevron Phillips Chemical Company (CPChem) on the project and created a joint venture, in which QatarEnergy will own a 70% equity share, and CPChem 30% stake.

In a few years, the Ras Laffan petrochemicals complex will help meet the rising global demand for high-density polyethylene, when the largest ethane cracker in the Middle East and one of the largest in the world begins production.

Polyethylene is used in the production of durable goods like pipe for natural gas and water delivery and recreational products such as kayaks and coolers. It is also used in packaging applications to protect and preserve food and keep medical supplies sterile.

The facility will be constructed with modern, energy-saving technology and use ethane for feedstock, which along with other measures, is expected to result in lower greenhouse gas emissions than similar global facilities.

The integrated olefins and polyethylene facility will be

utilising “state-of-the-art design and technology” during its construction and operation to promote energy efficiency.

It is important to stress the unique environmental attributes of this world-scale complex. It will have lower waste and greenhouse gas emissions, when compared with similar global facilities.

The Ras Laffan Petrochemicals Complex will be utilising “state-of-the-art design and technology” during its construction and operation to promote energy efficiency.

The world-class construction, operation, and technology standards planned at the complex are all designed to ensure energy savings, and significant reduction of emissions and hydrocarbon waste compared with similar global facilities. HE the Minister of State for Energy Affairs Saad bin Sherida al-Kaabi said: “Our two companies (Qatar Energy and Chevron Phillips Chemical Company) are making sure we buy and implement the best technology available to reduce emissions. In the last 20 years or so, there has been a huge leap in emissions reduction and energy use. Wherever we can recycle, we will;’ Ras Laffan Petrochemical Complex will also have multiplier effects on Qatar’s economy as it is expected to generate significant economic benefits for the country including increased tax revenue and foreign investment.

QatarEnergy drills 20+

appraisal wells past 10 years; confirms huge increase in NF gas reserves

The drilling of more than 20 appraisal wells in the past 10 years using state-of-the-art technologies has confirmed significant increase in North Field (NF) gas reserves, to more than 2,000 trillion cubic feet, said HE the Minister of State for Energy affairs, Saad Sherida al-Kaabi.

Addressing a press conference at the QatarEnergy headquarters yesterday, al-Kaabi said, "I want to specifically mention the tireless work over the past two decades to evaluate the giant North Field and unlock its potential, especially in sectors that were not covered extensively by previous drilling and evaluation work."

Most recently, QatarEnergy has focused its efforts and attention on determining how far west the North Field extends in order to evaluate the production potential from those areas.

"We have continued geological and engineering studies and have drilled a number of appraisal wells in that area.

"I am pleased to announce today that, praise be to God, these great efforts have confirmed, through technical tests of the appraisal wells, the extension of the North Field's productive layers further towards the west, which means the ability to produce significant quantities of gas from this new sector.

"Recent studies have shown that the North Field contains huge additional gas quantities in the North Field estimated at 240tn cubic feet, which raises Qatar's gas reserves from 1,760tn cubic feet to more than 2,000tn cubic feet, and the condensates reserves from 70 to more than 80bn barrels, in addition to large quantities of liquefied petroleum gas, ethane, and helium."

Al-Kaabi noted, "These are very important results of great dimensions that will take Qatar's gas industry to new horizons, as they will enable us to begin developing a new LNG project from the North Field's western sector with a production capacity of about 16 MTPY.

"As such, Qatar's total LNG production will reach about 142MTPY when this new expansion is completed before the end of this decade. This represents an increase of almost 85% compared to current production levels. With the completion of this project, Qatar's total hydrocarbon production will exceed 7.25mn barrels of oil equivalent per day."

The minister revealed that QatarEnergy will immediately commence the basic engineering works necessary to ensure that the planned progress is achieved according to the approved schedule for this new project, which will be called the 'North Field West'.

"These expansion project, which we are working to implement, aim to achieve optimal utilisation and management of our natural resources with the aim of contributing to what our wise leadership aspires to in terms of ensuring the economic and social well-being of current future generations of Qatar as articulated by the Qatar National Vision 2030.

"At the same time, these projects reaffirm QatarEnergy's commitment to reinforce its global leadership in the production and supply of LNG and live up to its commitment to provide an economic, safe and reliable energy source, giving priority to environmental sustainability for a more prosperous and brighter future."

Minister al-Kaabi also expressed his sincere thanks and gratitude to His Highness the Amir, Sheikh Tamim bin Hamad al-Thani for his wise leadership and guidance, and the unlimited support of Qatar's energy sector.



Lessons from euro's first 25 years

Jan 31, 2024 MARCO BUTI and GIANCARLO CORSETTI

Prior to the introduction of the European single currency in January 1999, its architects foresaw a future of macroeconomic stability and accelerated growth. While the euro has delivered on some of these promises, it has failed to facilitate the continent's economic and political integration.

FLORENCE – The 25th anniversary of the euro's introduction, which has passed largely under the radar, offers an opportune moment to assess the current state of the greatest monetary experiment in modern history.

The euro's launch in January 1999 polarized economists. In the face of much skepticism – the late American economist Martin Feldstein even argued that the single currency could trigger a war in Europe – the euro's architects envisioned a future characterized by macroeconomic stability, anchored by an independent central bank and a fiscal framework geared toward

stability. Structural reforms, which the European Union's member states were expected to implement, were meant to enhance the monetary union's capacity to adjust to shocks.

None of those scenarios materialized. Over the past quarter-century, the euro has shown extraordinary resilience, navigating through several critical challenges and defying early predictions of its collapse. But while the single currency has delivered on some of its promises – most notably, maintaining price stability for most of its existence – it has failed to boost Europe's potential growth or facilitate the continent's full economic and political integration.

This mixed record can be attributed largely to the fact that Europe's economic union was incomplete from the outset. Despite the significant progress that has been made since its inception, the eurozone's fiscal and economic frameworks remain woefully underdeveloped compared to its monetary infrastructure.

To understand the consequences of the eurozone's unfinished architecture, it is useful to divide the past 25 years into four distinct periods. The first phase, from 1999 to 2008, could be labeled the "2% decade": economic growth, inflation, and budget deficits (as a share of GDP) all hovered around this rate. This phase was characterized by the excessive optimism of the "Great Moderation."

But the internal imbalances that emerged during this period would haunt the eurozone for years to come. The convergence of interest rates, evidenced by minimal spreads, resulted in overly sanguine portrayals of member states' public finances. Simultaneously, loose fiscal and monetary conditions reduced European governments' incentives to undertake structural reforms and bolster their banking systems.

Nominal convergence also masked more profound structural disparities, as capital flowed from the eurozone's richest

members to their poorer counterparts, where it was frequently channeled into less productive sectors, such as real estate and non-tradable services, often through instruments like short-term bank loans. Consequently, while the eurozone's current accounts appeared balanced, significant imbalances emerged.

The fallout from the 2008 global financial crisis, particularly the discovery that Greece had lied about its budget deficits and debt, eroded trust among member states. The prevailing narrative shifted to one of moral hazard, emphasizing the need for each country to get its own house in order. By the time eurozone governments finally coordinated a response – establishing the European Stability Mechanism (ESM), launching the banking union project, introducing the European Central Bank's Outright Monetary Transactions program, and expanding the ECB's balance sheet – the euro appeared to be on the brink of collapse.

The key turning point was the pledge by then-ECB President Mario Draghi to do "whatever it takes" to preserve the euro in July 2012. But with monetary policy increasingly viewed as the "only game in town," the eurozone's economic and financial structures remained fragmented.

The COVID-19 crisis changed that. The exogenous nature of the pandemic shock, together with the lack of impending elections, enabled EU leaders – led by French President Emmanuel Macron, then-German Chancellor Angela Merkel, and European Commission President Ursula von der Leyen – to present a unified front, unencumbered by the pressure to avoid moral hazard. The EU suspended the Stability and Growth Pact, which had previously capped member states' budget deficits at 3% of GDP, and rolled out the Support to mitigate Unemployment Risks in an Emergency and the NextGenerationEU recovery programs, financing both through common borrowing. Meanwhile, the ECB introduced its €1.85 trillion (\$2 trillion) Pandemic Emergency Purchase Program.

Although this demonstration of collective leadership reassured markets, fueling an economic rebound, the optimism proved to be short-lived. A global inflationary surge, fueled by robust macroeconomic stimulus and pandemic-related supply-chain disruptions, was exacerbated by the energy-price shock that followed Russia's full-scale invasion of Ukraine. Although European policymakers worked together to reduce the EU's dependence on Russian gas, they failed to mount a collective response akin to the NextGenerationEU initiative. Confronted with rising deficits and debt, not to mention the most aggressive monetary-tightening cycle since the 1980s, EU countries have once again put eurozone reforms on hold.

Two important lessons follow from the euro's first 25 years. First, the monetary union's incomplete institutional framework has proven to be both costly and dangerous. Finalizing the banking union, especially the creation of a common resolution fund with the backstop of the ESM and deposit insurance, is essential to ensure stability and bolster the international role of the euro. Thus, Italy's recent failure to ratify the ESM treaty is a serious setback. Pushing forward the capital market union is essential if Europe is to meet the financial challenges posed by the digital and green transitions. To achieve all of this, EU leaders must strike a balance between risk sharing and risk reduction.

Second, completing the euro is crucial for safeguarding and developing the EU's greatest achievement: the single market. European countries' current pursuit of national industrial policies, funded through state aid, undermines the core values of the single-market project. To address this challenge, the EU must formulate a cohesive European industrial policy. This should include an increase in cross-border investments, focusing on European public goods such as human-capital development, the availability of critical materials, and the green and digital transitions.

After the fall of the Berlin Wall, German Chancellor Helmut

Kohl, French President François Mitterrand, and European Commission President Jacques Delors turned the dream of a single currency into a reality. During the COVID-19 crisis, Macron, Merkel, and von der Leyen managed to overcome seemingly insurmountable obstacles and achieve a historic breakthrough. Now, a quarter-century after its introduction, the euro requires visionary leaders to shepherd European sovereignty to its next phase.

This article draws on the CEPR Policy Insights February 1, 2024, paper “The First 25 Years of the Euro,” written under the auspices of the European University Institute’s Economic and Monetary Union Laboratory (EMU Lab).



Greenland's ice loss surges: Satellite data shows alarming retreat

Aggravating concerns about global warming and its consequences, a new, comprehensive analysis of satellite data has found Greenland has lost more ice than previously estimated and that the majority of glaciers on the landmass have retreated significantly. The Greenland Ice Sheet has shed about one-fifth more ice mass in the past four decades than previously estimated, researchers at Nasa's Jet Propulsion Laboratory in Southern California reported in a new paper. Icebergs are falling into the ocean at an accelerating rate. Though this additional ice loss has had only an indirect impact on sea levels, it could hold implications for ocean circulation in the future.

Published in *Nature* on January 17, the analysis offers a comprehensive look at retreat around the edges of the entire ice sheet from 1985 to 2022, drawing from nearly a quarter million pieces of satellite data on glacier positions. Of the 207 glaciers in the study, 179 retreated significantly since 1985, 27 held steady, and one advanced slightly. Most of the ice loss came from below sea level, in fjords on Greenland's periphery. Once occupied by ancient glacial ice, many of these deep coastal valleys have filled with seawater – meaning the ice that broke off made little net contribution to sea level. But the loss likely accelerated the movement of ice flowing down from higher elevations, which in turn added to sea level rise.

"When the ice at the end of a glacier calves and retreats, it's like pulling the plug out of the fjord, which lets ice drain into the ocean faster," said Chad Greene, a glacier scientist at JPL and the study's lead author. For decades researchers have studied the Greenland Ice Sheet's direct

contributions to global sea level rise through ice flow and melting. Scientists participating in the international Ice sheet Mass Balance Inter-comparison Exercise (IMBIE) estimated that the ice sheet had lost 5,390 billion tonnes between 1992 and 2020, adding about 13.5 millimetres to global mean sea level, according to the Intergovernmental Panel on Climate Change. But the IMBIE measurements do not account for ice lost due to the retreat of terminal glaciers along the edges of Greenland. (These glacier edges were already in the water, whether submerged or floating.) The new study quantifies this amount: For the 1985 to 2022 period in the new paper, the ice sheet was estimated to have lost about 1,140 billion tonnes – 21% more mass lost than in the IMBIE assessment.

Although it doesn't add to sea levels, the additional ice represents a significant influx of fresh water to the ocean. Recent studies have suggested that changes in the salinity of the North Atlantic Ocean from melting icebergs could weaken the Atlantic Meridional Overturning Circulation, part of the global "conveyor belt" of currents that transport heat and salt around the ocean. This could influence weather patterns worldwide, as well as affect ecosystems, the authors said.

Icebergs have tumbled from Greenland's glaciers for thousands of years as part of a natural cycle that typically balanced glacier growth in the winter with melting and retreat in the summer. The new study finds that ice retreat has far outpaced growth throughout the 21st century. The researchers also found that Greenland's ice extent remained relatively steady from 1985 to 2000, then started a marked recession that continues to this day.

The data showed a glacier in northeast Greenland called Zachariae Isstrom lost the most ice, dropping 176 billion tonnes of mass due to retreat. It was followed by Jakobshavn Isbrae on the western coast, which lost an estimated 97 billion tonnes and Humboldt Gletscher in the northwest, which lost 96 billion tonnes. Only one glacier, Qajuuttap Sermia in southern Greenland, experienced any growth over the study period, but its gains were too small to offset the losses from

other glaciers.

The researchers also found that glaciers with the largest seasonal fluctuations in the position of their ice front experienced the greatest overall retreat. The correlation suggests the glaciers that are most sensitive to warming each summer will be most impacted by climate change in the coming decades.



Developing Countries Need Debt Relief to Act on Climate Change

While developed economies have pledged to increase climate financing sharply by 2030, developing-economy policymakers are struggling to cover the costs of action. With medium-term strategies being used to address a short-term threat, progress on the green transition will be undermined, with potentially catastrophic implications.

WASHINGTON, DC/PARIS – If developing economies found it hard to manage their debts in 2023, they are likely to face even more formidable challenges this year. Though most possess relatively small debt stocks and are not considered insolvent, many are in dire need of liquidity. As long as this remains true, they will struggle not only to manage their debts, but also to invest in the green transition.

Developing economies have faced a series of external shocks in recent years, including the COVID-19 pandemic, war-related disruptions of food and energy supply chains, and an uptick in global inflation. Moreover, their access to capital markets has been curtailed, preventing them from rolling over maturing loans, as they would do in normal times. As a result, countries have been forced to channel a large share of their tax and export revenues to service their debt, avoiding default at the cost of priorities like infrastructure investment, social-welfare programs, and climate action.

The outlook for these countries is likely to worsen in the next few years. According to estimates by the Finance for Development Lab (FDL), large debt payments are coming due in 2024 and 2026 for at least 20 low- and lower-middle-income countries. As countries hit this “debt wall,” their already fragile fiscal positions will deteriorate further. This does not bode well for climate action.

Climate change is not some distant menace; its effects are already being felt worldwide, especially in climate-vulnerable developing economies. But international summits on the topic last year sent a disappointing message: while developed economies pledged to increase climate financing by 2030, developing-economy policymakers are struggling against severe fiscal constraints. With medium-term strategies being used to address a short-term threat, developing and emerging economies have been expressing frustration, including at the Summit for a New Global Financing Pact that was held in Paris last June.

Multilateral development banks can provide an essential lifeline, but their capacity would have to be strengthened – and quickly. According to World Bank data, the new concessional loans the world's poorest countries received from MDBs in 2022 were smaller than these countries' debt-service payments, a large share of which went to private and bilateral creditors. Increasing capital flight from the developing world – driven not least by monetary tightening in advanced economies – will intensify the needs of illiquid lower-income countries.

But it is not only a matter of financial capacity. MDBs have so far been inconsistent, at best, when it comes to supporting countries struggling to repay their debts. For example, both Kenya and Ethiopia have been under pressure to repay their private and Chinese creditors, which are now collecting more in debt-service payments than they are providing in new loans. But only Kenya received enough support from the International Monetary Fund, the World Bank, and others to refinance its debt that is maturing this year.

By contrast, assistance to Ethiopia has declined in recent years. As a result, Ethiopia recently defaulted on its external debt, even though it amounts to just 25% of GDP. While the Kenya approach is not the solution – providing similar levels of support to all illiquid countries would require a tripling of MDB flows – this is clearly unacceptable.

A better approach would focus on closing the gap between short-term debt concerns and long-term investment needs, by unlocking net-positive inflows for countries facing liquidity constraints. As the FDL has proposed, an agreement among debtors, creditors, and MDBs to permit countries to reschedule debts coming due – delaying maturities by 5-10 years – would create fiscal space for climate-friendly investments, financed by MDBs.

For this liquidity bridge to work, MDBs would have to accelerate progress on implementing existing reform plans and increase funding substantially, while the IMF helps manage debt-rollover risks. Importantly, private and bilateral creditors would have to agree to the rescheduling. That is why, compared to the Debt Service Suspension Initiative that the G20 introduced in 2020, the proposal includes stronger incentives for private-sector creditors to participate, in addition to longer time horizons.

There are good reasons to believe that creditors can be convinced to join the program voluntarily. It is, after all, in their best interest to remain invested in solvent countries with strong growth prospects; no one benefits from debt crises like those that have ensnared Zambia and Sri Lanka. In any case, creditors would continue receiving interest payments, and as global interest rates fall and economic-growth prospects improve in the coming years, debtors may well be able to return to capital markets and resume repayment of the principal.

Shaping a workable blueprint along these lines is a task for upcoming international gatherings, such as the G20 summit in Brazil later this year. Logistical and financial coordination will be needed to ensure sufficient liquidity. Coordination among the IMF, the World Bank, and regional development banks will also be essential to ensure that participating debtor countries pursue investments that genuinely support green growth.

If nothing is done to help countries facing liquidity crises, the world will risk a wave of destabilizing debt defaults, and progress on the green transition will be severely undermined, with catastrophic implications for the entire world. Because promising solutions like the liquidity bridge can prevent such outcomes, they deserve broad global support.



UN climate chief calls for \$2.4tn in climate finance

The world needs to mobilise at least \$2.4tn to keep global climate change goals within reach, the United Nations climate chief said in a speech yesterday.

Simon Stiell, executive secretary of the UN Framework Convention on Climate Change (UNFCCC), addressed a group of students at the Azerbaijan Diplomatic Academy in Baku, host of the COP29 climate summit in November, laying out the steps that need to be taken this year to turn the commitments made at last year's summit in Dubai into reality.

This was Stiell's first major speech since the UN gathering in Dubai, where nearly 200 countries agreed to begin a transition away from fossil fuels to avert the worst impacts of climate change.

"It's clear that to achieve this transition, we need money, and lots of it – \$2.4tn, if not more", excluding China, Stiell said in prepared remarks, citing a report released in December

from the High-Level Expert Group on Climate Finance.

"Whether on slashing emissions or building climate resilience, it's already blazingly obvious that finance is the make-or-break factor in the world's climate fight – in quantity, quality, and innovation," he said. "In fact, without far more finance, 2023's climate wins will quickly fizzle away into more empty promises."

Climate finance will be the main focus of the Azerbaijan-hosted talks, where governments will be tasked with setting a new target post-2025 for raising money to support developing country efforts to cut emissions and adapt to the worsening impacts of climate change.

Setting a new financial goal will be challenging given that countries only met last year a goal set in 2009 to mobilise \$100bn a year in climate finance by 2020.

"It's already blazingly obvious that finance is the make-or-break factor in the world's climate fight," he said, adding that without more finance, the wins achieved at the COP28 Dubai summit will fizzle out.

Stiell said that the year should be spent ensuring that the global financial system and multilateral banks can meet the task of ramping up climate finance, and urged banks to triple the amount of climate grants and concessional finance by 2030 and triple the rate of private capital they mobilise.

More broadly, he cautioned against taking "victory laps" after the UAE agreement, saying that the political agreement reached in Dubai enables countries to hide behind "loopholes".

"The action we take in the next two years will shape how much climate-driven destruction we can avoid over the next two decades, and far beyond," he said.

The world is currently far off track in delivering on its cornerstone climate deal, agreed in Paris in 2015.

Under the Paris Agreement, world leaders pledged to keep the rise in Earth's average temperature to "well below" 2.0° Celsius above the pre-industrial level and preferably the much safer threshold of 1.5C.

The 2020s are critical for keeping that 1.5C target in view, with UN climate experts estimating that planet-heating greenhouse gas emissions need to be slashed by some 43% by 2030.

There is progress, with a surge in clean energy technologies like solar, wind and batteries, as well as electric vehicles. However, emissions continue to rise.

A key challenge that is likely to take centre stage at this year's climate talks in Baku, as well as meetings of the World Bank and International Monetary Fund (IMF), is how to support emerging economies manage and pay for their transition to clean energy.

Many of these nations are currently mired in debt and facing a raft of challenges, from inflation to growing climate impacts. Meanwhile global warming continues, with 2023 confirmed as the hottest ever recorded and experts warning 2024 could be even hotter.

The Earth is now about 1.2C warmer than it was in the 1800s. This is already having an accelerating impact on people and ecosystems across the planet, from heatwaves and droughts, to devastating floods and storms.

A damning appraisal of countries' decarbonisation efforts so far, released last year, showed the world heading for catastrophic planetary heating.

Stiell conceded it would take an "Olympian effort" to get the world on track.

One key task for countries will be to outline a new round of national climate targets for 2035 ahead of a pivotal COP30 meeting, due to be held in Brazil in 2025.

These pledges should be strengthened to align with the 1.5C goal, cover the whole economy and all greenhouse gases, Stiell said.

"The action we take in the next two years will shape how much climate-driven destruction we can avoid over the next two decades, and far beyond," he added.



Freezing weather is knocking out millions of barrels of US oil output

The wintry weather that blanketed parts of Texas in snow and hammered North Dakota with extreme cold has knocked out millions of barrels of US oil production, and the industry is expected to need weeks to restore output to normal levels.

Production across the US was curtailed by about 10mn barrels this week, according to market participants who asked not to be named because the information is private. Losses in the Permian Basin of Texas and New Mexico are estimated at around 6mn barrels and shut-in output in North Dakota's Bakken is seen at close to 3.5mn barrels.

In Midland, in the heart of the Texas Permian, temperatures dipped below freezing in 11 out of the 19 days of this month. The cold has been especially bitter in past few days, with the lows below 20F (-7C) for most of the week, according to Accuweather.

Extremely low temperatures freeze water at the wellhead, shutting in production. Icy roads make it difficult for vacuum trucks – used to haul away waste water – to reach drill pads, causing drillers to either halt pumping or curtail rates, the people said.

The losses currently amount to less than 1% of total US crude production, which is around 13mn barrels a day, but they are expected to linger or even rise in North Dakota. In the city of Williston, at the centre of the Bakken formation, below-freezing temperatures are expected

throughout the end of the month, posing continued challenges. Oil producers there may need at least a month to restore output to normal

levels after more than half of the state's flows were cut off this week, state officials said.

Natural gas gathering systems that are connected to oil wells fill up with liquids during extreme cold, disrupting the operation of

compressors, said Lynn Helms, North Dakota's mineral resources director. Crude wells are then shut in to avoid flaring.



Climate change march: From Paris to Glasgow

The latest IPCC report shows that we are dangerously close to 1.5C already. Every fraction of a degree matters

The COP26 climate conference will be a clarifying moment, poised between global co-operation and competition. As one of the key French officials tasked with delivering a deal at COP21 in Paris in 2015, I can attest to the weight of expectations placed upon this year's hosts, Italy and the United Kingdom.

The summit in Glasgow this November is by far the most fraught meeting of governments since Paris. Paradoxically, greater global integration continues alongside emerging fault lines, including the injustices of the Covid-19 pandemic and a growing desire for inward, nationalistic policies.

While global trade is on track to increase by 8% this year,

after falling by 5.3% in 2020, the rollout of medical supplies along global supply chains has exposed deep sources of antagonism and rivalry. The issue of vaccine solidarity – compounded by wealthy countries earmarking trillions for their own economic recoveries – has seriously strained multilateral ties. COP26 is approaching under a cloud of tension.

This year's conference will test the spirit of co-operation that emerged in Paris, where – after several abortive efforts – 196 governments adopted the historic Paris accord and made “net zero” a geopolitical reality. The agreement has since provided the organising principle for all climate action – one that nation states, regions, cities, businesses, investors, civil society, and individuals all had a voice in, and can all act upon. This was people-powered multilateralism at its best. Six years later, we ought to be seeing a positive domino effect of bold pledges from states. Instead, we are watching a nervous game of poker. As with vaccines, wealthier countries are not sharing their wealth and technology.

Tellingly, the international community still has not met the Paris agreement's target of \$100bn per year for supporting climate investments in developing countries. This figure is a threshold, not an end goal: it is essential that we clear this hurdle for all parties at COP26 to know that wealthy countries mean business and are sincere in their solidarity.

Equally concerning is the absence of specifics for how G20 countries intend to meet abstract net-zero targets. Many remain fully locked into fossil fuels. Since these economies account for almost 80% of worldwide emissions, they must start including more concrete, comprehensive decarbonisation planning as part of their Nationally Determined Contributions (NDCs) under the Paris agreement.

The European Commission's new Fit for 55 plan shows how this can be done in a detailed, sector-specific way. Unfortunately, the European Union is the exception. Everyone else is still playing poker, even as the room fills up with water.

Just this year, climate-driven disasters have struck Brazil, Canada, Madagascar, China, Germany, Russia, the United States,

and many others. There is no need to recall every cataclysmic weather event, because it is already sufficient to say that the problem has broken beyond our readiness.

As climate modelling improves, the path to remaining within 1.5C of warming is narrowing before our eyes. In early August, the latest report from the Intergovernmental Panel on Climate Change (IPCC) showed that we are dangerously close to 1.5C already. Every fraction of a degree matters. The differences between a 1.5C world and a 2C world would be dramatic.

When we were negotiating the Paris agreement, the preceding G20 gathering was similarly fraught – some might say disastrous. Many felt the COP21 was doomed to fail as a result. But after weeks of intense work and dialogue, the Paris summit managed to exceed most expectations, mine included.

How can the UK and Italy steer the talks toward another successful outcome? If the parallels with 2015 offer any indication, the key for this final “sprint” is to emphasise that no-one, and no single country, can tackle the climate crisis alone. Because every single party to the United Nations Framework Convention on Climate Change has an equal say, any single signatory can cause negotiations to stumble. Good faith dialogue, concrete plans, and serious means to finance them are the only way forward.

There are some recent positive developments to build on. Earlier this year, South Korea and Japan – respectively the world’s second- and third-largest coal financiers after China – both pledged to end their public coal investments abroad.

But there are also clear areas where governments have more work to do. According to the International Energy Agency, staying on track for net-zero emissions by 2050 requires that no new coal, oil, or gas projects be started after 2021. That means all of the world’s largest emitters must immediately end coal investments abroad and clarify how they will phase out their own use of coal.

Only a sincere spirit of multilateralism can solve the imbalance at the heart of the climate crisis, the impacts of

which are profoundly unfair. Countries that are hardly responsible for the problem's escalation are the ones facing the most severe, often existential risks. Why would small island states negotiate themselves into submersion?

The Paris agreement was only possible because of its commitment to multilateralism, and this remains the best guide to ensuring its relevance. It is telling that soon after a G20 climate meeting delivered few tangible positives this year, the world's Least Developed Countries issued a statement calling on their wealthier counterparts to "take responsibility."

Sovereign, competitive impulses will always strain the space for cooperation. But within that space, there are ample opportunities to achieve positive-sum outcomes – in technological innovation and adoption, for example. These instincts are rooted in the national interest, and thus should be responsive to the fearsome, increasing prospect of overshooting 1.5C.

In this spirit, some concrete steps to defuse tensions at COP26 would include a dedicated item for meaningful discussions on "loss and damage," while this summer's ferocious weather events still loom large in everyone's memory. The conference also must press the issue of financing for climate adaptation efforts as part of the broader drive to meet the minimum \$100bn per year target. Finally, G20 countries that have not delivered their NDCs must do so as soon as possible, demonstrating that their policies are sufficient to keep the world on a 1.5C pathway.

G20 countries anxious to promote their role as climate leaders must listen carefully to the warnings from others, particularly those on the front lines. If we see momentum on these fronts between now and November, the UK and Italy could herald COP26 as a success, keeping the 1.5C goal in our sights. – Project Syndicate

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