PetroChina and Qatar holding advanced talks on LNG supply deals



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

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

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

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

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

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

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

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

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

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

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

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

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

Complementary LNG forces to the fore in Qatar



Ras Laffan in Qatar is home to the world's most productive LNG liquefaction complex, the world's largest LNG carrier fleet and the world's newest LNGC repair yard

Located within the Erhama Bin Jaber Al Jalahma Shipyard complex at Ras Laffan in northern Qatar, the joint venture Nakilat-Keppel Offshore & Marine Ltd (N-KOM) facility has successfully delivered in excess of 800 marine and offshore projects to date.

N-KOM has leveraged the extensive experience and technical know-how of its parent companies to become recognised as an expert in handling gas carriers and a variety of other vessels. The company offers a comprehensive range of repair, conversion, maintenance and fabrication services to the marine, offshore and onshore sectors, while its track record of safe, quality and timely deliveries has helped the facility win new and repeat business.

Cavalcade of LNGC repairs

The N-KOM shipyard has attracted numerous LNG carriers for routine docking and membrane tank repair and maintenance work so far in 2018. Among the LNG carriers repaired are vessels from Shipping Corporation of India (SCI), Maran Gas Maritime, Nakilat Shipping Qatar Ltd (NSQL), Teekay Shipping, Shell, MOL LNG Transport, K-Line Shipmanagement and NYK LNG Shipmanagement.

Most of these vessels underwent routine drydocking and repairs such as cargo tank inspections, overhauling of main engine cylinders, LNG cargo and spray pump servicing, general steel repairs, and hull treatment and painting. In addition, load tests for lifeboats and other related inspections have been carried out.

Evidence of the N-KOM yard's popularity with LNG shipowners and managers can be seen in the fact that the facility has been fully booked for repairs in the months of July and August 2018.

"The growth of the LNG spot market has resulted in a significant increase in inquiries for repairs from LNG vessels that have not traditionally traded in the Middle East Gulf area"

N-KOM has two graving docks and one floating dock able to accommodate LNG carriers of up to the 266,000 m³ Q-max size, as well as an alongside berthing capacity of 3,150 m. Handling the complexities of repair work on sophisticated ships such as LNG carriers is facilitated by the yard's well-equipped cryogenic cleanrooms.

N-KOM points out that the presence of prominent maritime service providers such as Gaztransport & Technigaz (GTT), Goltens, Wärtsilä, Wilhelmsen Ships Service, Turbo Technik and Cargotec operating within the shipyard helps smooth the

overall repair process, offering convenience to shipowners and managers patronising the facility. In addition to its team of GTT-qualified membrane welders, N-KOM works with various specialist membrane repair contractors.

The growth of the LNG spot market has resulted in a significant increase in inquiries for repairs from LNG vessels that have not traditionally traded in the Middle East Gulf area. Given the reputation of the yard, in terms of experience, quality standards and the range of equipment and services available, vessel owners have been keen to book their ships at N-KOM as they align repositioning manoeuvres with routine ship maintenance requirements.

Earlier this year N-KOM received an award for the 'Best Behavioural Safety Initiative' during a safety workshop organised by Shell International Trading and Shipping Company Ltd (STASCO) for its contractors. The yard was lauded for deploying effective strategies and achieving successful measurable results, with a specific focus on safety and quality. N-KOM reports that the Shell award bears further testament to its commitment to high operating standards.

Ballast treatment

N-KOM continues to see interest in ballast water treatment system (BWTS) installations, and the yard has experience in handling such installation work for several vessels.

Understandably for large LNG carriers, the choice of BWTS is relatively limited. The focus is on those systems that can meet not only the ballast volume and flow requirements of the ship, but also the need to complete the necessary ballast treatment operations in line with their cargo-handling timescales.

On the plus side, LNG carriers have sufficient space and power available to enable the installation of a BWTS able to meet its needs. N-KOM cautions that the engineering of the retrofit

process should be carefully planned and rehearsed before drydocking.

One of the challenges in this process involves optimising installation processes and the costs of manhours and materials. From interactions with ship operators, N-KOM observes that there have been delays on the part of owners in selecting the BWT systems, albeit with reasonable justifications.

The maturity of the technology, equipment approvals and regulations are the main three parameters that pose serious challenges to the operators. As such, adequate planning and preparation are highly recommended to facilitate the correct choice of BWTS in a timely manner.

N-KOM is able to observe the choices of shipowners to ensure compliance with the more stringent air emissions requirements coming into force, most notably the 0.5% global sulphur cap that becomes mandatory on 1 January 2020. The yard has noted that a number of owners with modern ships that still consume relatively large amounts of fuel, such as large tankers, are exploring exhaust gas scrubbers as one of the solutions.

N-KOM has already been booked for scrubber retrofits for a series of very large crude carriers belonging to a major Greek tanker operator. The yard expects that the remainder of 2018 and the whole of 2019 will be a busy time in terms of scrubber retrofits.

Nakilat's expanding outreach

It has also been a year of significant developments at Qatar Gas Transport Co Ltd (Nakilat), the Qatari shipowning and marine services partner in the N-KOM operation. Established in 2004, Nakilat remains the essential transportation link in the supply chains developed to ensure the delivery of LNG exports from Ras Laffan to markets worldwide. The company's outreach extends to more than 90 receiving terminals across 26

countries.



The 210,000 m3, 2009-built Al Sadd, one of the 31 Q-flex size LNG carriers in the Nakilat fleet

In March 2018 Nakilat expanded its joint venture partnership with the Greek shipping company Maran Ventures Inc to include two additional LNG carriers, boosting the number of vessels jointly owned by Nakilat and Maran Gas from 13 to 15 vessels.

Nakilat reports that strategic alliances with renowned partners have been fundamental to the company's success. Furthermore, opportunities to grow its international presence in this manner, to capitalise on growing global energy demands, are under continuous review.

In this respect, Nakilat's pursuance of a presence in the floating storage and regasification unit (FSRU) niche market achieved success in June 2018, when a landmark agreement was signed with Excelerate Energy of the US. The establishment of a joint venture company between the two parties gave Nakilat a 55% stake in one of Excelerate's FSRUs — the first such vessel to join the Qatari shipowner's fleet. Nakilat states that this deal marks the beginning of its growing involvement with the FSRU sector, with the promise of further outreach to developing LNG markets.

Nakilat now either fully or partly owns 65 LNG carriers, four large LPG carriers and one FSRU. NSQL, the company's in-house ship management affiliate, now manages and operates 18 vessels, comprising the four LPG carriers, six Q-max size LNG carriers and eight Q-flex LNG carriers.

Nakilat's 70-ship fleet includes 14 Q-max and 31 Q-flex LNG carriers, the world's largest such vessels. The cargo-carrying capacity of the Nakilat LNGC fleet totals over 9M m³, making it the world's largest such fleet, with about 12% of the overall

capacity. The fleet transports more than 60% of Qatar's LNG exports.

Qatar is reviewing a possible expansion of the LNG liquefaction capacity at Ras Laffan, from the current level of 77M tonnes per annum (mta) to 100 mta by the early 2020s.

Irrespective of that decision, Nakilat will continue to extend its outreach and LNG regasification, power generation and small-scale LNG are among the areas the company will continue to explore for possible opportunities to expand its business portfolio. However, should the project to expand Ras Laffan output to 100 mta get the green light, both N-KOM and Nakilat can look forward to a significant incremental jump in business activity.

Saudi-Canada Fight Shows Need for Pipelines, Oil Group Says



The escalating trade battle between Canada and Saudi Arabia highlights the need for more pipelines to move oil and natural gas around the northern nation to improve its energy security, according to the Canadian oil industry's largest trade group.

Canada's energy producers could supply a greater portion of their domestic market and satisfy more of world demand if they could move supply from producing regions to both coasts, said Ben Brunnen, vice president of oil sands operations and fiscal policy for the Canadian Association of Petroleum Producers. Canada imported about C\$1.17 billion (\$902.4 million) worth of oil and fuels from Saudi Arabia in the second quarter, according to Statistics Canada.

"Geopolitical tensions, whether they be with our largest trading partner, the U.S., or with other countries, illustrate the opportunity we have to improve energy security within our own borders and to expand our exports to global markets to ensure we are getting the best price for our products," Brunnen said in an emailed statement.

Mohammed bin Salman Is Weak, Weak, Weak



When I pulled my Hyundai out of the driveway two weeks ago and headed 450 miles north, it was only for a short vacation, but I was still excited to be leaving the Beltway after a confusing year for foreign-policy wonks. Freed from the obligation to make sense of the growing dysfunction of the United States and its rippling effects on the world, I took long runs on country roads, ate too much ice cream, lazed on the beach with my wife and young daughters, read a novel, and celebrated a birthday.

I returned to the office a few days ago and almost wish I hadn't. The weirdness of 2018 continues. Upon reconnecting, I discovered that the odious former president of Iran, Mahmoud Ahmadinejad, tweeted in support of LeBron James (he also likes Michael Jordan), Toto covered Weezer, and the government of Saudi Arabia freaked out at Canada. Not Iran or Qatar, but

Canada... the Great White North. The place that has bestowed such gifts to the world as John Candy, poutine, Wayne Gretzky, the Montreal bagel, and the 55-yard line.

Like most countries, Canada does have darker aspects. The way Canadians treated what they now refer to as the First Nations was horrific, for example—although they recently apologized and accepted responsibility for the near-destruction of those cultures. And even when Canadians are angry at you, they tend to be unfailingly polite about it.

So, what is the Saudi beef? Why have they thrown the Canadian ambassador out of the country, halted Saudi flights to Toronto (a lovely airport), and told anywhere between 7,000 and 16,000 Saudis enrolled in Canadian universities that they can't go back to school in a few weeks? A tweet. More specifically, last Friday the Canadian foreign ministry tweeted: "Canada is gravely concerned about additional arrests of civil society and women's rights activists in #SaudiArabia, including Samar Badawi. We urge the Saudi authorities to immediately release them and all other peaceful #humanrights activists."

That's it. The Canadian government did not impose sanctions, offend Islam, or make common cause with the Houthis in Yemen. As anyone with a passing interest in international affairs knows, Ottawa has publicly positioned itself—often in contrast to the United States—as a strong voice in defense of human rights. This is particularly the case under Liberal Party-led governments such as the one under Prime Minister Justin Trudeau, and Canadian Foreign Minister Chrystia Freeland has been (politely) forceful in her defense of a rules-based and liberal international order.

According to their Saudi counterparts, by expressing concern for the plight of peaceful activists in the kingdom, Canada's diplomats were in egregious violation of Saudi Arabia's sovereignty. This is the kind of response that one might expect from say, Egypt—though even the Egyptian leadership, which loathes civil society, activists, and their international supporters with great passion, would not throw an ambassador out of the country and cancel the scholarships of thousands of university students.

There are various theories to explain the Saudi reaction to Canada's tweet. Some analysts have suggested that the episode is another example of Saudi Arabia's reckless foreign policy under Crown Prince Mohammed bin Salman. Others see it as another warning to Saudis that the only reforms in the kingdom are those that the crown prince has articulated, and they are at their peril should Saudis demand more. Both explanations are plausible—and either way, Mohammed bin Salman comes out looking every bit the impetuous, petty, immature, tyrant that his critics say he is.

Arab leaders have some good reasons for responding poorly to activists and nongovernmental organizations that international supporters of these individuals and groups tend to overlook. But rounding up people who peacefully express a different vision of society from the Saudi leadership is weak. Not just weak in a vague moral sense, but as a basic description of the government's political standing. General rule: If a leader is arresting people who disagree with them, it is a sign that this leader is well aware of a significant gap between the stories the government is telling its citizens about how good life is under its benevolent leaders and how people are actually experiencing it. The Saudi women in jail right now had to be arrested, because if they weren't silenced, there would be an ever-increasing risk that they would expose the emptiness of the government's sunny narrative about the future. Coercion of this sort is a demonstration of brute force and political weakness.

For all the Saudi government's declarations about the "new Saudi Arabia" and how the country is moving forward thanks to the crown prince's reform program, it rings hollow against the background of jailed peaceful dissenters. The Saudis will

argue that all the Western reporting and analysis is wrong—the people arrested were in communication with foreign countries and thus trying to undermine the Saudi state. It is a claim that is both tiresome—because it comes from the script every foreign ministry reads anytime their governments want to repress activists—and revealing. There is no foreign conspiracy, of course. It is the dodge of a nervous Saudi leadership, fearful that its people will discover its inability to deliver on its promises.

The Saudis and their supporters often complain that they get a bad rap in Washington. I am sympathetic to this claim. Sure, Crown Prince Mohammed bin Salman got some terrific personal press on his barnstorm through New York, Washington, Los Angeles, and Silicon Valley last spring—but news coverage of Saudi Arabia at around the same time was demonstrably negative. With good reason, of course. In November 2017, the Saudis orchestrated the brief resignation of the Lebanese prime minister—surely one of the stranger diplomatic episodes in the Middle East ever—and then there was the terrible (and ongoing) humanitarian toll of Saudi Arabia's military intervention in Yemen. The Saudi-led blockade of Qatar, meanwhile, seems to have been a pointless exercise in showing Doha who is the big dog in the Gulf.

Yet the negative coverage ignored the middle ground; complications and shades of gray are typically saved for stories other than Saudi Arabia. The war in Yemen has been a foolish blunder, but hardly anyone mentions the brutality of the Houthis. The Qataris may be victims of Saudi, Emirati, Egyptian, and Bahraini scheming, but they are not innocent victims. The crown prince is hardly the reformer that he has proclaimed himself to be, but he does seem to enjoy genuine support at home.

Still, whatever beating the Saudis are taking over the war of words with Canada, it is entirely of Riyadh's own making and well deserved. One is hard-pressed to truly understand what

officials at the Royal Court are thinking, beyond taking a cue from the Trump administration and declaring, "We are Saudi Arabia, bitches." The Saudis really can't have it every which way: posturing as "reformers," tossing activists in jail, and then taking umbrage when people dare criticize them for not actually reforming.

The crown prince decided to pick a fight with the wrong country. Not because Canada is powerful and the Saudis are dependent upon them, but rather because Ottawa has taken a stand on the straightforward principle that peaceful dissent is not a crime. In their overreaction, the Saudis have decided to flaunt their own foolishness and feebleness. Instead of railing against Ottawa, Riyadh should apologize for its rash behavior. That's what the Canadians would do.

Turkey admits to 3 more years of missing inflation target



Bloomberg/Ankara

Turkey's central bank yesterday acknowledged it won't meet its 5% inflation target for three more years, disappointing investors seeking signs that monetary policy would tighten.

Although governor Murat Cetinkaya pledged to raise borrowing costs when needed, his prediction of 6.7% inflation by the end of 2020 was seen as a dovish signal by investors who gathered in Ankara for the bank's quarterly inflation report. He expects prices to rise 13.4% through this year and 9.3% through 2019.

This was the first time the governor provided an above-target forecast for three years into the future since taking office in 2016, and it comes with the inflation rate at its highest in 15 years. For investors surprised that the bank didn't raise borrowing costs at its last rate meeting on July 24, it's another indication monetary policy makers will put a premium on stimulating economic activity, according to Erkin Isik, a strategist at Turk Ekonomi Bankasi AS in Istanbul. That's an agenda demanded by President Recep Tayyip Erdogan.

"The upward revision to medium-term forecasts suggests that the bank will prioritize growth over inflation and let inflation remain high for much longer," Isik said by e-mail as Cetinkaya spoke.

The lira fell during the governor's speech and was trading 0.4% lower at 4.90 per dollar at 12:31pm in Istanbul.

Unlike in his previous inflation reports, Cetinkaya went out of his way to explain last week's rate decision. This year's 500-basis-point increase in lending costs will take time to have an impact on demand conditions, which are set to soften with a re-balancing in the economy, he said.

His base-case scenario of a "moderate" slowdown in growth after last year's 7.4% expansion is partly based on expectations the government will lower spending. Continued expansionary fiscal policies would result in higher inflation, according to the inflation report.

Taking into account the high inflation rate and current

account deficit "at a time of tightening global financial conditions, such a situation would result in a higher country risk premium and increase the pressure on foreign-exchange levels, necessitating a tighter monetary policy stance to rein in price gains," the report read.

Erdogan has repeatedly stressed he wants interest rates to come down, taking the anomalous approach that cheaper money would help to tame inflation by stimulating growth.

Higher Oil Price Boosts BP's Recovery; Profit Up Fourfold



Higher oil prices and increased output helped BP Plc (NYSE: BP) quadruple its second-quarter profit from a year earlier as the oil major finally shakes off the after-effects of 2010's Deepwater Horizon spill and the last oil market slump.

Second-quarter results have been a mixed bag for the world's top oil companies. Total SA (NYSE: TOT) beat forecasts and boosted production targets while Royal Dutch Shell Plc (NYSE: RDS.A) launched a \$25 billion share buyback program despite profits falling short of expectations.

U.S. majors Exxon Mobil Corp. (NYSE: XOM) and Chevron Corp. (NYSE: CVX) disappointed Wall Street.

BP confirmed it would increase its quarterly dividend for the first time in nearly four years, offering 10.25 cents a share, an increase of 2.5%. The company bought back shares to the tune of \$200 million in the first half.

In a further sign of recovery, BP last week agreed to buy U.S. shale oil and gas assets from global miner BHP Billiton for \$10.5 billion.

The deal, BP's first major acquisition in 20 years, marked a watershed for the company in the United States as it looks to leave behind the \$65 billion fallout from the deadly explosion of its Deepwater Horizon rig in the U.S. Gulf of Mexico.

Benchmark Brent crude futures, currently over \$74 per barrel, rose about 16% in the first half of 2018 and are up about 60% since June last year.

BP's output in the first six months of the year was 3.662 million barrels of oil equivalent per day (MMboe/d), including production at Russia's Rosneft, of which it owns just under a fifth, from 3.544 MMboe/d a year earlier. That helped underlying replacement cost profit, BP's definition of net income, rise to \$2.8 billion, exceeding forecasts of \$2.7 billion, according to a company-provided survey of analysts.

The company earned \$0.7 billion a year earlier and \$2.6 billion in the first quarter. BP's shares were up about 1.2%, hitting a two-week high in early trading.

BP has paid around \$2.4 billion of expected 2018 costs of just over \$3 billion related to Deepwater Horizon, and plans to split the outstanding payments equally between the third and fourth quarters, CFO Brian Gilvary said.

Meanwhile, the company has tightened its investment budget for this year to about \$15 billion from previously up to \$16 billion and increased its divestment guidance to over \$3 billion from \$2 billion to \$3 billion.

Gearing, the ratio between debt and BP's market value, declined to 27.8% at the end of the quarter from 28.1% at the end of March. Net debt was \$39.3 billion at the end of June compared with \$40 billion at the end of March.

"With gearing nudging down sequentially, dividends raised, and execution on track, 1Q and 2Q are the start of a new positive trend for BP," Bernstein analyst Oswald Clint said.

Time for Europe to redefine its interests





By Mark Leonard/Berlin

Donald Trump is the first US president to think that the US-led world order is undermining US interests.

Though the current order obviously benefits the United States, Trump is convinced that it benefits China even more.

Fearing China's ascendance as another pole of global power, Trump has launched a project of creative destruction to destroy the old order and establish a new one that is more favourable for the US.

Trump wants to pursue this objective by engaging with countries bilaterally, thereby always negotiating from a position of strength.

He has shown particular disdain for traditional US allies, whom he accuses of free riding, while also standing in the way of his demolition derby.

Likewise, Trump cannot stand multilateral organisations that strengthen smaller and weaker countries vis-à-vis the US.

Given his "America First" strategy, Trump has spent his presidency undermining institutions such as the World Trade Organisation, and abandoning multilateral agreements such as the Trans-Pacific Partnership (TPP), the Iran nuclear deal, and the Paris climate accord.

And because Trump has been able to pick new fights so fast, other countries have struggled to keep up, let alone form effective alliances against him.

In recent weeks, Trump has set his sights squarely on the European Union.

As Ivan Krastev of the Institute for Human Sciences recently observed, the EU now faces the possibility of becoming "the guardian of a status quo that has ceased to exist." As a committed Atlanticist and multilateralist, it pains me to admit that he is right.

The time has come for Europe to redefine its interests, and to develop a new strategy for defending them.

First and foremost, Europeans will have to start thinking for themselves, rather than deferring to the US foreign-policy establishment.

The EU clearly has an interest in preserving the rules-based order that Trump hopes to tear down, and its interests with respect to the Middle East — particularly Turkey — and even Russia have increasingly diverged from those of the US.

Europeans should of course try to work with the US whenever possible; but not if it means subordinating their own interests.

Europeans must also start investing in military and economic autonomy — not to break away from the US, but to hedge against America's abandonment of its commitments.

Fortunately, there is already a healthy debate in European capitals about increasing national defence spending to 2% of GDP; and both the EU Permanent Structured Co-operation framework (PESCO) and French President Emmanuel Macron's new European Intervention Initiative (EI2) represent steps in the

right direction.

The question now is whether France's Force de Frappe (military and nuclear strike force) can be extended to provide a credible deterrent for the rest of the EU.

On the economic front, Europe is facing a dilemma as it weighs its values against its business interests.

Former Belgian foreign minister Mark Eyskens once described Europe as "an economic giant, a political dwarf, and a military worm." But Europe is now in danger of becoming an economic dwarf, too.

The fact that the US can threaten secondary sanctions on European companies for doing business with Iran is deeply worrying.

Though the EU is standing up for international law, it remains captive to the tyranny of the dollar system.

Looking ahead, the EU needs to gain more leverage for dealing with other great powers such as China and the US.

If Trump wants to make the transatlantic relationship more transactional, then the EU needs to be ready to trade across different policy areas to make deals.

Consider the US Department of Defence's recent request that the United Kingdom send more troops in Afghanistan.

If the EU were taking a muscular approach, it would deny any reinforcements until the US drops its threats of secondary sanctions on European companies.

Moreover, Europe needs to develop a strategy for political outreach to others.

The G7 is supposed to be the cockpit of the West, but at its recent summit in Quebec, it seemed to be short-circuiting.

So shocking was Trump's behaviour that some senior European officials now wonder if US allies should form an independent middle-power alliance, lest they be crushed between the rocks of a rising China and a declining America.

In an increasingly deal-based world, a new G6 might offer a defence of the rules-based system.

Still, one wonders if the EU is capable of putting up a united front.

With the bloc splintering into distinct political tribes, it is becoming easier for other powers to pursue a divide-and-conquer strategy.

This has long been Russia's strategy, and it is now being adopted by China and the US, too.

For example, in 2016, southern and eastern EU member-states that rely on Chinese investment managed to water down a joint EU statement on China's territorial encroachments in the South China Sea.

Similarly, Trump routinely reaches out to eastern and southern EU member-states in order to sow divisions within the bloc.

For example, US Department of State officials reportedly made it clear to Romania that the US would not press it on rule-of-law violations if it breaks ranks with the EU and moves its embassy in Israel to Jerusalem.

With US-EU relations already fraught, the Trump administration will be all the more tempted to engage in such tactics.

It is unclear how the EU should respond.

It could impose heavier costs on countries that break ranks on foreign policy, or it could invest more in security so that even countries on the periphery feel as though they have something to lose by undermining EU cohesion.

Alternatively, the EU itself could strike a deal with member states, whereby it would go easy on internal political matters in exchange for foreign-policy co-operation.

Whatever is decided, the EU urgently needs to chart a new course.

Rather than being perpetually surprised and outraged by Trump's affronts, Europeans must develop their own foreign policy with which to confront his behaviour. — Project Syndicate

* Mark Leonard is Director of the European Council on Foreign Relations.

UK firm PwC criticised over bid for major Saudi Arabia contract



One of Britain's biggest consulting and accountancy firms has been negotiating

to land a major contract to help streamline and modernise Saudi Arabia's

military, the Guardian can reveal.

PricewaterhouseCoopers (PwC) confirmed it had tendered for the project,

which will be part of a wholesale transformation of the kingdom's defence

ministry designed to better equip and support its frontline forces.

PwC declined to comment further about the talks. It said there was an "ongoing

tender process with a number of participants pitching for work".

The negotiations, for a deal that could be worth millions to the company, have

drawn criticism from campaign groups. Campaigners have condemned the

country's involvement in the conflict in Yemen, claiming its airstrikes have

killed civilians and amount to war crimes.

Peter Frankental, Amnesty International UK's economic affairs programme

director, urged PwC to explain what due diligence it had undertaken before

pitching for the work.

"Like any company, international accountancy firms should ensure that they

avoid contributing to human rights violations in their operations, or being

directly linked to them by their business relationships.

"We'd like to know what due diligence the company has done. The United

Nations guiding principles on business and human rights make it clear that a

company may be viewed as complicit if they are seen to benefit from abuses

committed by another party."

The Saudi ministry of defence is run by Prince Mohammed bin Salman bin

Abdulaziz Al Saud. The 32-year-old, known as MbS, is said to be the world's

youngest defence minister and is also the kingdom's deputy prime minister.

Described by critics as an inexperienced firebrand, he has been the architect of

the kingdom's intervention in Yemen, in which it has backed

the exiled

government over Iranian-supported Houthi rebels.

This year the UN said the conflict had led to more than 22 million Yemenis —

up to 80% of the population - requiring humanitarian aid.

Jamie McGoldrick, the UN's humanitarian coordinator in Yemen, has

described it as "an absurd and futile war" and condemned the "mounting

civilian casualties caused by escalated and indiscriminate attacks throughout

Yemen".

PwC already has a presence in Saudi Arabia, but it is the company's UK

operation that is behind the defence project.

PwC has launched a "call for resources" — asking specialists and consultants in

London whether they would be interested in moving to Riyadh to start the

work — because, it has said, it is "currently finalising the deal".

The company told staff that the Saudi ministry of defence was undergoing an

"ambitious transformation to modernise its armed forces at a size and scale

rarely seen before ... [this] is at its most critical phase and they need support to

undertake this level of change."

If it wins the contract, PwC is likely to be tasked with transforming several

support areas within the defence ministry. The first phase of the work is likely

to focus on how to reshape recruitment, resourcing, performance management

and strategic workforce planning, and how to manage and communicate

change.

The Guardian asked PwC what due diligence it had undertaken and how it

would answer concerns about working with the Saudi military. The company

declined to respond.

The Saudi embassy in London was asked about the scale and scope of the

project but also declined to comment.

Frankental urged PwC to think again. "As any accountancy firm involved in

work for the Saudi ministry of defence must know, the Royal Saudi air force

has an appalling record in Yemen, with the Saudi-led military coalition having

indiscriminately bombed Yemeni homes, hospitals, funeral halls, schools and

factories. Thousands of Yemeni civilians have been killed and injured."

Anna Macdonald, director of the Control Arms Secretariat, a global coalition

working for international arms control, said the UK "should be focusing on

trying to stop this terrible conflict, not assisting the Saudi government."

She added: "British companies should be very cautious indeed in what they are

supporting. Yemen is the world's worst humanitarian crisis and getting worse

by the day.

"The UK government and UK companies are fuelling this in continuing to

supply bombs and military equipment to Saudi Arabia and its coalition

partners. Ordinary Yemenis need access to water, to

humanitarian aid and, most pressingly of all, for the incessant bombing of their schools, hospitals,

markets and funerals to stop."

Saudi Arabia has defended its military operations in Yemen. This year the

foreign minister, Adel al-Jubeir, said the critics were wrong. "They criticise us

for a war in Yemen that we did not want, that was imposed on us," he told the

BBC. "They criticise us for a war in Yemen that is a just war, that is supported

by international law."

Judeir blamed the Houthi rebels for blocking aid and contributing to the

humanitarian crisis.

A spokesman for the Department for Business, Energy and Industrial Strategy

said firms had to operate by UK and international law, and there was no

restriction on accountancy services in Saudi Arabia.

LNG becomes more volatile on heat wave, Trump's trade war: Russell



LAUNCESTON, Australia, July 30 (Reuters) — Prices for spot cargoes of liquefied natural gas (LNG) in top-consuming region Asia have become more volatile amid a northern hemisphere heat wave, China's switch to cleaner fuels and a side-helping of Donald Trump-inspired trade disruptions.

The spot LNG price LNG-AS for September delivery in North Asia rose to \$9.75 per million British thermal units (mmBtu) in the week to July 27, the first increase in six weeks.

Soaring temperatures in Japan and South Korea were behind the move higher, as utilities ramped up electricity output to meet demand for air-conditioning. Japan even resorted to restarting old and dirty oil-fired power plants, in addition to boosting natural gas generation.

The boost to prices last week was the latest turn in a spot LNG market that has become more volatile and sensitive to even relatively modest moves in supply and demand.

The spot price reached \$11.60 per mmBtu in mid-June, an unusual occurrence as it meant the peak summer price exceeded that for the previous winter for the first time since 2012.

LNG has a seasonal pattern, with the peak price usually occurring in the northern winter, followed by a lower high in summer and troughs in autumn and spring.

The mid-June price peak was built on strong demand from China, the world's No. 2 importer, whose rapid growth took it past South Korea last year, although it still has some way to go to dislodge Japan from the top spot.

Some supply outages at the same time in major producer Australia, as well as Malaysia and the United States, also drove prices higher in June.

While the spot price has shifted up a gear, the extra demand has yet to show up in trade flows.

Northeast Asia, which includes the three top LNG buyers of Japan, China and South Korea, is on track to import around 14.2 million tonnes of LNG in July, according to vesseltracking and port data compiled by Thomson Reuters.

This would be largely steady to June's 14.8 million tonnes and 14.5 million tonnes in July last year.

JAPAN DRIVING DEMAND

Looking at the breakdown by country shows Japan on track to import about 6.4 million tonnes in July, up from June's 6.03 million, but below last July's 7.1 million.

China will import around 3.85 million tonnes in July, down a tad from June's 3.95 million, but up from 2.91 million in July of 2017.

South Korea's July imports are headed for 2.5 million tonnes, a 26 percent slump from June's 3.4 million and also well below the 3 million from July a year ago.

While China is still posting large year-on-year gains, it seems current demand for LNG is largely being driven by Japan.

The dynamics of LNG flows are also shifting, partly as a result of U.S. President Donald Trump's escalating trade dispute with China.

While trade in LNG isn't restricted in any way as yet, it seems China is quietly discouraging its major oil and gas companies from buying from the United States.

Only two cargoes arrived China in July from the United States, carrying just 0.13 million tonnes of the super-chilled fuel.

This was an unchanged number of cargoes from June, but down on five vessels that arrived in May, and well below seven that unloaded in January this year.

The winner in China is Australia, with imports totalling to 12.4 million tonnes in the first seven months of the year, up from 9.1 million tonnes in the same period last year.

Australia has also upped its shipments to Japan, with 15.9 million tonnes arriving in the first seven months, up from 14.6 million in the same period in 2017.

U.S. LNG suppliers have had some success in shipping to Asian countries other than China, with Japan taking three cargoes in July, down from four in June and level with May.

South Korea brought in four U.S. cargoes in July, the same number as June and down from five in May.

But with Chinese demand for U.S. LNG under a cloud, it's likely that U.S. producers will have to offer more competitive prices to other buyers in Asia, or perhaps in Europe.

This may prompt changes in the way LNG producers such as Qatar and Australia market spot cargoes, increasing volatility in a market that has shifted from being fairly predictable to one characterised by quicker and larger price swings.

Turkish steel makers eye exports to West Africa amid U.S. tariff setbacks



By Ceyda Caglayan

ISTANBUL, July 30 (Reuters) — Turkish steel makers are looking to expand in West Africa and other emerging markets in response to tariffs and planned quotas which threaten their sales to the United States and the European Union, a senior sector official said.

Namik Ekinci, board chairman for the Turkish Steel Foreign Trade Association, told Reuters that Turkey was looking to boost its trade with West Africa and sub-Saharan countries, where there is demand for the less capital-intensive steel products that Turkey mainly exports.

"Looking at the product types these countries consume, it's products that we have the capability to produce like rebar and pipes. Therefore, these countries are markets where we have a

chance," Ekinci said.

"This is why the market we are working with in the first stage is West Africa," he said, adding that the Caribbean, South America and Southeast Asia were the next targets.

According to data from the Turkish Steel Exporters Association, more capital-intensive products, used in the automotive and white goods sectors, account for a quarter of Turkey's steel production, while products like rebar and pipes account for 53 percent.

The world's eighth biggest steel producer, Turkey ranks second in global exports of rebar, figures from the World Steel Association show.

In a move that ignited fears of a global trade war, U.S. President Donald Trump in March imposed a 25 percent tariff on steel imports and a 10 percent tariff on aluminium imports, leading to a 56 percent slump in Turkey's exports to the United States between January and May.

In early July European Union countries also voted in favour of a combination of quota and tariffs to prevent a surge of steel imports into the bloc that could follow the U.S. levies.

In order to tackle the U.S. tariffs and protectionist measures, Ekinci said Turkey wanted to increase its effectiveness in other emerging markets "as the United States and the European Union adopt measures to make trade harder."

He said a union of Turkish exporters would jointly start a new firm to penetrate the target markets through time charter shipments, aiming to increase Turkey's market share in West Africa from below 5 percent to 15 percent by cutting shipping costs.

The project is expected to cut transport costs of steel exported to West Africa to around \$30 per tonne, from nearly \$100, making it significantly more competitve, Ekinci said.