

**What's next after new  
Energean gas discovery in  
Israel's Karish North Field?  
Expert underlines need for  
Lebanon to lay groundwork for  
maritime boundary deals with  
Cyprus and Syria**



DOHA/BEIRUT – By Myriam Balaa: Israel’s latest undersea gas find further demonstrates that Lebanon should be doing everything it can to pave the way for its own offshore oil and gas industry, specifically by settling its maritime boundaries with Cyprus and Syria, one of the region’s foremost authorities on energy development says.

In an interview following Greek/Israeli-owned Energean’s announcement of a second discovery in the Karish North Field adjacent to Lebanese waters, energy consultant Roudi Baroudi said the news was actually good for Lebanon.

“It’s no surprise that they found more. It just underscores

what we've known for several years: we haven't located all the resources tucked away beneath the seabed of the East Med, including deposits awaiting discovery off Lebanon's coast," said Baroudi, who has more than four decades of experience in the energy business. "The problem is that Lebanon's ongoing political quagmire has caused significant delays in the development of the country's nascent offshore hydrocarbon sector."

Baroudi, who currently serves as CEO of Energy and Environment Holding, an independent consultancy based in Doha, Qatar, confirmed that the new find seemed to be located very close to the maritime boundary line (MBL) agreed to by Lebanon and Israel in October 2022. That agreement, reached after years-long mediation by the United States, was a "necessary step", he explained, but "it alone has not been sufficient to fully activate Lebanon's oil and gas industry."

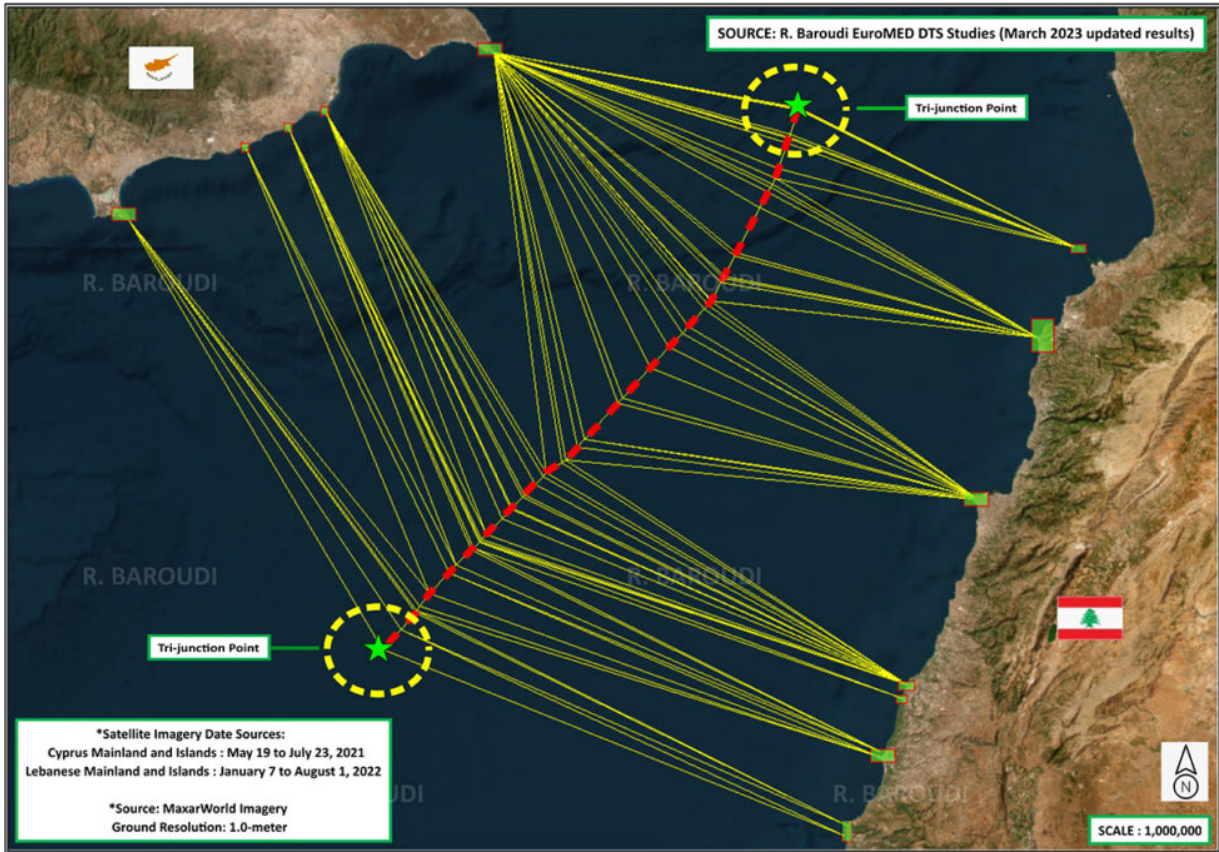
Asked how Beirut should proceed at this juncture, he stressed the importance of moving ahead with efforts to finalize Lebanon's MBLs with Cyprus and Syria, "which would achieve full international recognition of Lebanon's Exclusive Economic Zone, thereby reducing the risk for the big energy companies whose assistance we need in order to fully explore and exploit our offshore resources."

"We've already negotiated the different equidistance points for a completed MBL agreement with Cyprus, we just haven't ratified it," Baroudi explained. "That means we just have to adjust a few coordinates in order to set a trijunction point where the Lebanese, Cypriot, and Israeli MBLs intersect at sea. And setting that trijunction in the south will automatically simplify the process of setting another in the north for Lebanon-Cyprus-Syria".

## CYPRUS - LEBANON MBL

Cyprus vs. Lebanon \*Strict Equidistance Maritime Boundary Line (MBL)

100% \*Full Effect Line (red dashed line), using all relevant Cyprus coastlines and offshore Islands (see close-up inset example), plus also all relevant Lebanese mainland coastlines and all offshore Islands (see closeup inset example). This MBL begins at the northern computed Cyprus-Syria-Lebanon Trijunction point (TRJ ~ green star) and terminates at the southern modified computed Cyprus-Lebanon-Israel Trijunction point (TRJ ~ green star). See the report for specific details on the Trijunction Points and MBL Line Latitude and Longitude geographic coordinates, along with methodology on how the Trijunction Points and this MBL was produced.



He also played down claims in some circles that a significant gap exists between the Lebanon-Cyprus line and the Cyprus-Israel line, making it more difficult to set a trijunction.

“There is a gap, of course, but it’s really quite small,” Baroudi told the reporters “The proof of this is in the delineation of the offshore blocks issued by both Lebanon and Cyprus about a decade ago. On all the international blocks maps of the area, even including the ones issued by the oil and gas companies, which focus on accurate portrayals of acreage, there is no overlap. In fact, virtually all of the line between Lebanese and Cypriot blocks precisely tracks almost a MBL line agreed which Nicosia and Beirut agreed to in the unratified agreement. The difference at the southern end of the trijunction point is very, very small.”

The smaller the gap, he explained, the easier it should be to finish defining Lebanon's EEZ.

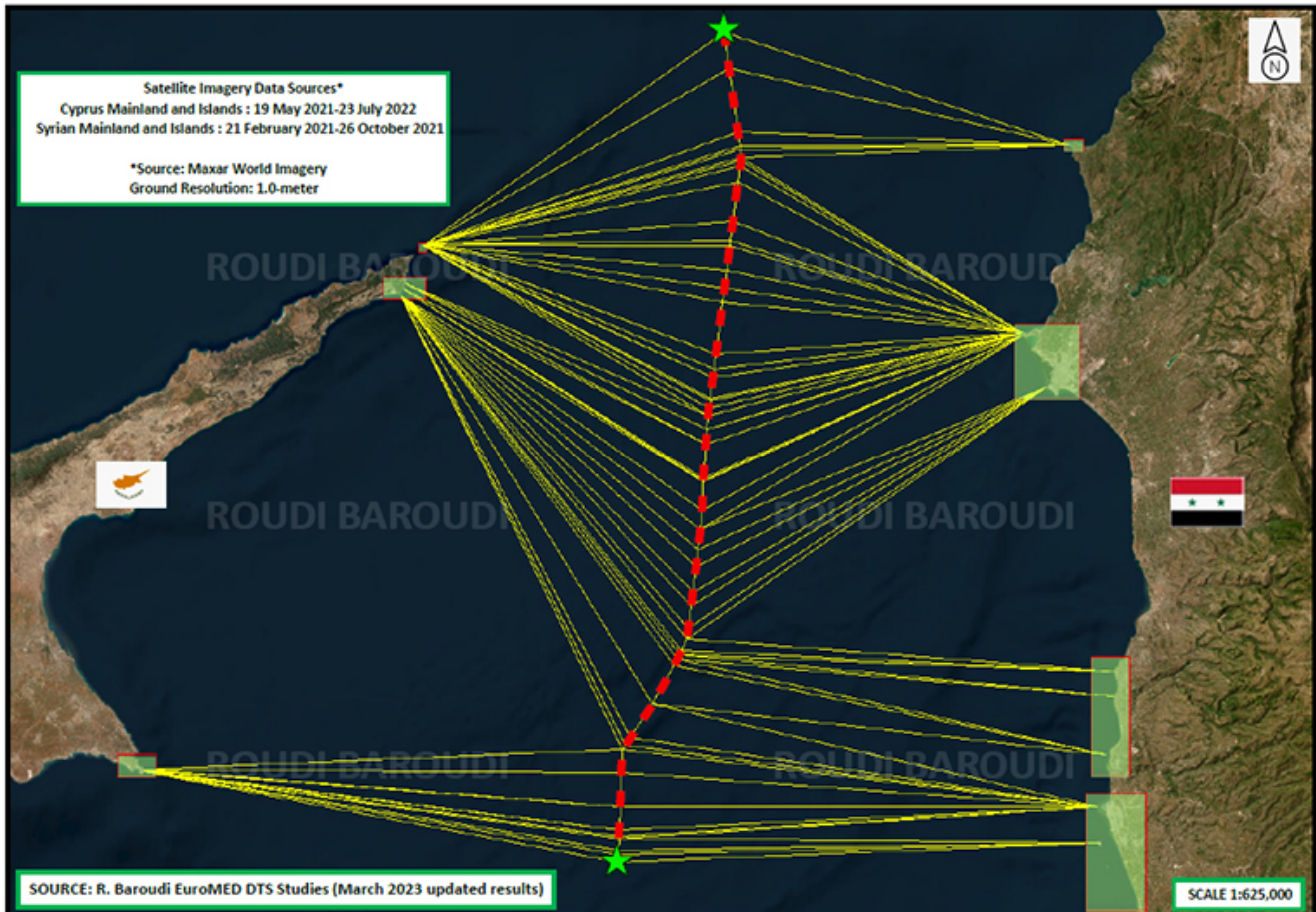
"Since the lines are so close, setting a trijunction – the point where the Lebanese, Cypriot, and Israeli boundaries intersect – should be relatively easy," he said. "In addition, agreeing that trijunction in the south would automatically simplify the process of setting one in the north for Lebanon-Cyprus-Syria. And keep in mind: Lebanon has strong & friendly relations with both Cyprus and Syria, so these negotiations will be a lot friendlier than the ones with Israel, which had to be pursued indirectly via American mediation."

When asked about how any new diplomatic efforts might be affected by the long-running political paralysis in Beirut, where the presidency has been vacant since late 2022 because rival parties in Parliament can't agree on a successor to former President Michel Aoun, Baroudi said the quagmire only accentuated the need for action.

## CYPRUS-SYRIA MARITIME BOUNDARY LINE

### Cyprus vs. Syria Strict Equidistance MBL\*

\*100% Full Effect Line (red dashed line), using all relevant Cypriot coastlines and offshore islands (see close-up inset example), plus all relevant Syrian mainland coastlines and offshore islands (see close-up inset example). This MBL begins at the northern computed Cyprus-Türkiye-Syria Trijunction Point (upper green star) and terminates at the southern computed Cyprus-Syria-Lebanon Trijunction Point (lower green star). See the report for specific details on the geographic (longitude and latitude) coordinates of the MBL and Trijunctions, along with an explanation of the methodology used to produce the MBL and Trijunctions.



“Right now, Lebanon can’t officially ratify into a new MBL agreement with either Cyprus or Syria because it requires a presidential signature, but that doesn’t stop us from carrying out the necessary talks,” he said. “In fact, we should be rushing to get all of this settled now so that when we finally fill the vacancy at Baabda Palace, we’ll have everything ready for the new president’s signature.”

In addition to settling its maritime boundaries, Baroudi said Lebanon also had another reason to re-engage with neighboring countries.

“It’s been almost ten years since Cyprus proposed a

unitization agreement (joint development agreement) with Lebanon for joint production from any deposits that straddle their shared MBL,” he recalled, “and the Lebanese paralysis has kept it from happening. We need to revive this process and get a deal in place. That way, again, once we have a president in office, we’ll be ready to hit the ground running, with no further delays, and start collecting the badly needed gas revenues”.

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## US gas pipeline accidents pose big, unreported climate threat



Last October, an Idaho farmer using a backhoe punched a hole into a 22-inch pipeline buried under a field, sending more

than 51mn cubic feet of natural gas hissing into the air. While the incident on Williams Companies' Northwest Pipeline was big, it was no anomaly along the roughly 3mn miles of natural gas pipelines crisscrossing the US.

Accidental pipeline leaks – caused by things like punctures, corrosion, severe weather and faulty equipment – happen routinely and are a climate menace that is not currently counted in the official US tally of greenhouse gas emissions, according to a Reuters examination of public data and regulatory documents.

Pipeline mishaps unintentionally released nearly 9.7bn cubic feet of gas into the atmosphere between 2019 and late 2023, according to a Reuters examination of incident report data maintained by the US Pipeline and Hazardous Materials Safety Administration (PHMSA).

That is the climate equivalent of running four average-sized coal-fired power plants for a year, according to an Environmental Defence Fund (EDF) online calculator.

Those emissions are currently not included in the nation's official greenhouse gas count because federal rules exempt large, unexpected leaks, and mainly only capture emissions from regular operations, according to the US Environmental Protection Agency (EPA).

The Biden administration aims to change that as early as next year under a set of rules proposed by the EPA to crack down on methane emissions from the oil and gas sector, and which would punish emitters with fees of \$900 to \$1,500 per metric tonne when they exceed a certain threshold.

Reuters relied on PHMSA data and interviews with researchers, company officials and regulators to provide new detail on the scale of greenhouse gas emissions from accidental pipeline leaks that could soon be added to the official greenhouse gas tally, as well as the potential cost to companies under the looming fees.

"I don't think the public or regulators have realised just how much methane has been lost from pipeline infrastructure," said Kenneth Clarkson, a spokesperson for the Pipeline Safety



Trust, a non-profit watchdog. "Newer studies have come closer to capturing the true amount of emissions and this has started catching the attention of policymakers."

Accidental leaks reported from PHMSA by the five biggest US pipelines between 2018 and 2022 showed that those incidents could have significantly increased the facilities' overall reported emissions, potentially resulting in fees of up to \$40mn under the proposal.

The operators of the five biggest pipelines include Berkshire Hathaway, TC Energy and Kinder Morgan.

Berkshire Hathaway's 14,000-mile Northern Natural Gas pipeline, for instance, reported unintended releases of natural gas to PHMSA during the five year period that were the equivalent of about 30% of the methane the facility reported to EPA during the period.

Williams, the owner of the pipeline that leaked in Idaho in October, reported unintended gas releases that amounted to about 15% of the methane it reported to EPA.

Berkshire Hathaway and Williams did not respond to requests for comment on Reuters' analysis or the EPA proposal.

TC Energy said reducing its methane emissions was a critical part of its business, but did not comment directly on the EPA proposal or Reuters' analysis.

Kinder Morgan said it does not exclude unintended emissions from its reports to EPA, even though it is not required to include them.

The Biden administration unveiled its batch of final rules aimed at cracking down on US oil and gas industry releases of methane at the United Nations COP28 climate change conference in Dubai in December, part of international efforts to curb releases of the gas.

Piped natural gas is typically around 90% methane, a greenhouse gas which is several times more potent in warming the planet than carbon dioxide during the relatively short time it remains in the atmosphere.

The new policies would ban routine flaring of natural gas produced by newly drilled oil wells, require oil companies to

monitor for leaks from well sites and compressor stations and establishes a program to use third party remote sensing to detect large methane releases.

The new reporting requirements for large leaks, meanwhile, are likely to be finalised later this year and take effect in 2025, the EPA told Reuters.

Under the proposal, companies will be required to report abnormal leaks of about 500,000 cubic feet of pipeline gas or more starting next year, a threshold significantly lower than what PHMSA requires.

The new reporting rules would also apply to big, unplanned emissions from other parts of the oil and gas industry, such as drilling operations, EPA said.

The fact that some large methane leaks have never been accounted for in US greenhouse gas inventories underscore concerns among environmental groups and scientific researchers that emissions from the fossil fuel sector have been vastly understated.

An Environmental Defense Fund analysis last year, for instance, estimated US pipelines leak between 1.2mn and 2.6mn tons of methane per year, or 3.75 to 8 times more than EPA estimates.

The EDF figure includes not just large mishaps but also pervasive smaller leaks on tiny distribution lines.

“The failure of EPA to account for these large events is a big driver of that discrepancy,” Edwin LaMair, an EDF attorney who focuses on oil and gas regulations, said in an interview.

The Interstate Natural Gas Association of America, a pipeline industry trade group, said most incidents reported to PHMSA relate to safety systems operating as intended.

The group also pointed to an EPA analysis showing that most transmission and storage facilities may not meet the 25,000 metric tonnes of carbon dioxide equivalent per year emissions threshold required to pay the methane fee.

The EPA analysis said, however, that it was not yet possible to accurately estimate “the magnitude of emissions that will be reported and which facilities will report those emissions.”

The pipeline industry has also said in public comments to the EPA about the new reporting rules that they could lead to double-counting of some emissions. – Reuters

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## **Greece Spearheads a Dynamic Energy Transition**



Countries have different energy priorities due to factors like the availability of energy resources, geopolitics, the population size, environmental considerations and excessive use of energy, the needs of industry, and the availability of technology.

The most representative energy priorities among countries, including Greece, revolve around energy security, reduction of greenhouse gas emissions, affordability, and avoidance of

deforestation. Construction of additional energy infrastructure and charging energy consumers with more taxes for excessive energy use constitute additional energy priorities. According to a market survey conducted by IPSOS in late 2022 that engaged 24 thousand people in 28 countries, the top energy priority was that of energy security followed by the development of cleaner energy sources, like wind and solar, and the affordability of energy.

The war on Ukraine brought energy security to the forefront of concerns for many regions, particularly Europe. Directly impacted countries, like Germany, have had to reactivate coal production and extend the operational lives of nuclear power plants to ensure efficient supply of energy to consumers.

### **Electricity Generation from Renewables**

Despite challenges associated with the war on Ukraine, Greece has emerged more resilient by enhancing reform of its energy market and accelerating deployment of renewables in accordance with the National Climate Law of 2022. The Climate Law signals concrete milestones for Greece's energy transition with most prevalent the reduction of greenhouse gas emissions by 55 percent by 2030 and, achievement of net zero emissions by 2050.

The Climate Law also foresees a total phase-out of lignite generated electricity by 2028. Notably, Greece ranks 2<sup>nd</sup> out of the 27 EU member states in the reduction of electricity generation from certain solid fossil fuels; lignite generated electricity decreased by 57,7 percent in the first 8 months of 2023 compared to the same period of 2019 according to the Greek Independent Power Transmission Operator (IPTO).

The reduction of the use of solid fossil fuels has been offset by the accelerated development of renewable sources of energy, construction of critical energy infrastructure, and promotion of plans for Greece to position itself as key hydrogen hub in

Europe. It is only in four years that Greece enhanced the installed capacity of renewable energy plants, accounting for 50 percent of electricity generation, with a clear target for electricity generation from renewables to reach 80 percent by 2030. The Greek solar photovoltaic market has gained most traction with 1.4 GW of new photovoltaic projects connected to the grid in 2022 and with anticipation of 10.9 GW to be added during the period of 2024-2027 according to the latest report by industry association Solar Power Europe.

### **The Offshore Wind Challenge**

Wind energy in Greece has been surpassed by photovoltaics in new and total installations primarily due to delays in the licensing process. The largest onshore wind power plants include the 336 MW onshore Evia Wind Farm of Ellaktor located in Evia, Central Greece; the 330 MW Kafireas wind farm of Terna Energy on the island of Evia; and the 153MW Imathia Kozani Wind Farm under development by 547 Energy LLC, located in West Macedonia. Greece's revised National Energy and Climate Plan (NECP) sets a clear target of 2 GW for onshore wind capacity and 2.7 GW for offshore wind capacity by 2030.

Greece swiftly moves forward to tap for the first time ever its offshore wind potential in pursuance of the national offshore wind farms development program that incorporates 25 eligible development areas in the Ionian, Aegean, and the East Mediterranean Seas.

An environmental impact assessment that has been completed by the Hellenic Hydrocarbons and Energy Resources Management Company includes maritime zones of over 2,712 square km where floating technology will be employed for the offshore wind farms in full compliance with environmental safeguards striking a balance between offshore wind energy, national security, and tourism.

Offshore wind energy falls under the creation and development

of new markets along with carbon dioxide CO2 capture and green hydrogen production.

## **Unlocking the CO2 Storage Potential**

Clean hydrogen can prove to be commercially viable due to the use of CO2. CO2 can be transported from where it is produced, via ship, truck or in a pipeline, and be used in commercial applications such as food and beverage production, metal fabrication, and cooling.

The majority of commercial applications center on the direct use of CO2 by turning it into chemicals and construction materials. Liquid CO2 can also be transported to an underground site where it can be permanently stored under strict environmental standards. The capture and storage of CO2 contribute to the decarbonization of heavy industries and the development of clean hydrogen.

It is in this context that Greece swiftly moves to identify potential areas for CO2 storage, with the most mature option being that of Prinos basin. Specifically, under Greek and European legal contexts, an exploration permit has been awarded to medium-sized Energean Oil & Gas for CO2 storage in the depleted Prinos field evaluated as the best option because of its depth and structure.

Prinos is scheduled to be operational from the fourth Quarter of 2025 as small-scale project with capacity of up to 1 million tons (MT) of CO2 annually and with plans to increase capacity from the fourth Quarter of 2027 up to 3 MT of CO2 annually. Areas with saline aquifers, mafic rocks and oil and gas fields throughout Greek territory are evaluated as potential storage sites.

## **Prospects of a Hydrogen Hub for Europe**

Green hydrogen production and transportation falls within the priorities of the Greek National Energy and Climate Plan. It

is estimated that little investment is required, primarily in the form of developing compression stations, for the conversion of the existing national network to transport hydrogen. Extensive cross-border pipelines like Interconnector Greece-Bulgaria (IGB) and Trans Adriatic Pipeline (TAP) have the potential to transport hydrogen.

Proper energy infrastructure can guarantee that massive imports of hydrogen from the Middle East and North Africa are directed to Europe via Greece. The European Union has declared that as the Ukraine war goes on it will have to import 10 MT of renewable hydrogen annually until 2030.

The first major hydrogen project that meets demands of industrial production has been launched in the north-west of Saudi Arabia, in a region called NEOM, that has been declared an exclusive renewable and hydrogen zone. The Neom Green Hydrogen Company project constitutes an 8.4-billion-dollar green hydrogen and green ammonia production facility that will integrate 4 GW of wind and solar energy to produce 600 tons of carbon-free hydrogen per day. Large-scale production of renewable hydrogen from the NEOM region is expected to begin in 2026, and green hydrogen will be exported in the form of green ammonia.

Overall, Greece fosters an effective energy transition with a blend of renewable energy pathways and a match of CO<sub>2</sub> storage and hydrogen transportation. It is with no doubt that important targets and deliverables are on the horizon.

Antonia Dimou

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# Opec sticks to oil demand view, nudges up economic growth



LONDON, March 12 (Reuters) – OPEC on Tuesday stuck to its forecast for relatively strong growth in global oil demand in 2024 and 2025, and further raised its economic growth forecast for this year saying there was more room for improvement.

The Organization of the Petroleum Exporting Countries said in a monthly report that world oil demand will rise by 2.25 million barrels per day (bpd) in 2024 and by 1.85 million bpd in 2025. Both forecasts were unchanged from last month.

A further boost to economic growth could give additional tailwind to oil demand. OPEC's 2024 growth forecast is already higher than that of the International Energy Agency (IEA), and the two are further apart than they have been for at least 16 years in their demand views.

In the report, OPEC said a "robust dynamic" for economic growth towards the end of 2023 was expected to extend into the first half of 2024 and raised its 2024 economic growth



forecast by 0.1 percentage points, following a hike last month.

“While some downside risks persist, a continuation of the expected momentum from the beginning of the year could result in additional upside potential for global economic growth in 2024.” OPEC said in the report.

“The 2024 and 2025 growth trajectories of India, China, as well as the United States, could exceed current expectations.” OPEC has stuck to the same demand growth figure since making its first 2024 prediction last July.

Conflict in the Middle East and supply outages have supported oil prices in 2024, although concerns about continued high interest rates have weighed. Brent crude on Tuesday was trading around \$82 a barrel.

A rise in prices in February took place as oil market fundamentals continued to strengthen, OPEC said in the report, adding that geopolitical tensions also supported prices.

OPEC now sees world economic growth of 2.8% in 2024, supported by the expectation of a continued easing in general inflation throughout this year. It kept next year’s forecast steady at 2.9%.

“It is anticipated that domestic political and geopolitical developments will likely not significantly impact the growth momentum,” OPEC said.

## **BULLISH OPEC, CAUTIOUS IEA**

For this year, OPEC’s expectation of oil demand growth is much more than the expansion of 1.22 million bpd so far forecast by the IEA. The IEA, which represents industrialised countries, is scheduled to update its forecasts on Thursday.

OPEC believes oil use will keep rising for the next two decades, while the IEA predicts it will peak by 2030 as the world shifts to cleaner energy. The two have clashed over this and related issues such as the need for more oil industry investment.

According to a Reuters analysis of IEA and OPEC monthly reports dating back to 2008, the 1.03 million bpd gap in their February demand growth forecasts was the biggest in per-barrel terms for this point in the year.

OPEC and the wider OPEC+ alliance have implemented a series of

output cuts since late 2022 to support the market. A new cut for the first quarter took effect in January and earlier this month was extended to cover the second quarter.

The OPEC report also said that OPEC oil production rose by 203,000 bpd in February to 26.57 million bpd led by Nigeria and Libya, despite a new round of voluntary output cuts by the OPEC+ alliance that started in January.

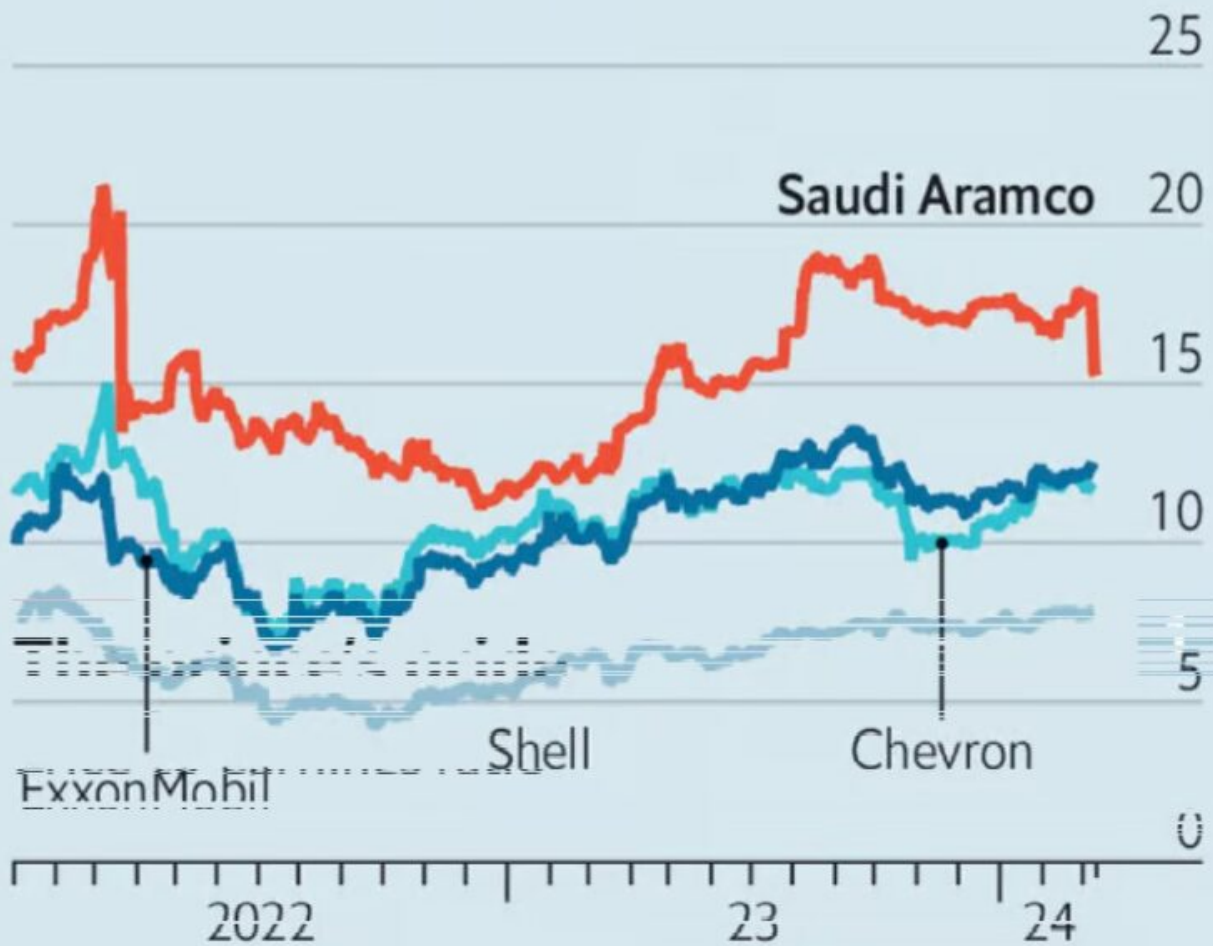
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**Is Saudi Aramco cooling on crude oil?**

# The prince's pride

Price-to-earnings ratio\*

1



Source: S&P Global Market Intelligence

\*12-month forward

## The prince's pride

Price-to-earnings ratio\*

1



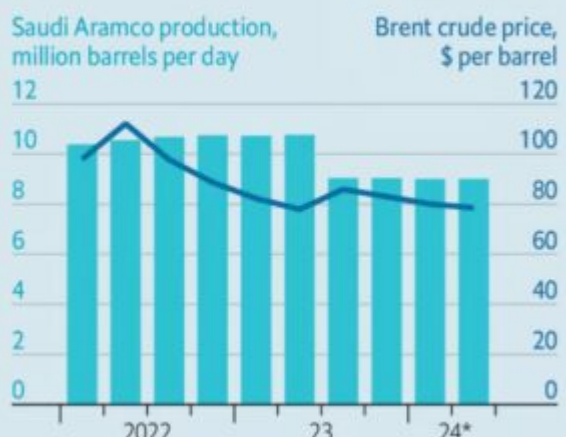
Source: S&P Global Market Intelligence

\*12-month forward

## Locked stocks and barrels

Oil

2



Sources: Bloomberg; LSEG Workspace

\*Forecast

Don't bet on it

Has Saudi Arabia stopped believing in a bright future for petroleum? That is the question that in recent weeks has hung over Saudi Aramco. The desert kingdom's national oil goliath has a central position in the world's oil markets. Its market value of \$2trn, five times that of the second-biggest oil firm, ExxonMobil, and its rich valuation relative to profits are predicated in large part on its bountiful reserves of crude and its peerless ability to tap them cheaply and, as oil goes, cleanly (see chart 1). So Saudi Arabia's energy ministry stunned many industry-watchers in January by suspending the firm's long-trumpeted and costly plans for expanding oil-production capacity from 12m to 13m barrels per day (b/d). Was it proof that even the kingpin of oil had finally accepted that oil demand would soon peak and then begin to decline?

To get a hint of Aramco's answer, all eyes turned to its financial results for 2023, reported on March 10th. No one expected a repeat of the year before, when high oil prices and surging demand propelled Aramco's annual net profit to \$161bn, the highest ever for any listed firm anywhere. But analysts and investors were still keenly interested in the extent of the decline in the company's revenue and profit, in any changes to its capital-spending plans and, possibly, in the unveiling of an all-new strategy.

In the event, profits did fall sharply, from \$161bn in 2022 to \$121bn last year, though that was still the second-best performance in the company's history. Thanks to a recently introduced special dividend, Aramco paid nearly \$100bn to shareholders last year, 30% more than amid the bonanza of 2022. It also promised to hand over even more in 2024.

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image: the economist

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Shovelling a larger chunk of a smaller haul to owners could, on its own, imply that the company is indeed less gung-ho about its oily future. Except that the rich dividend was accompanied by two developments that point in the opposite direction. First, Aramco is rumoured to be preparing a secondary share offering that could raise perhaps \$20bn in the coming months—a move typically associated with expansion rather than contraction. Second, even more tangibly, Aramco is already ramping up capital spending.

Its annual results reveal that investments rose from less than \$40bn in 2022 to around \$50bn last year. In a call with analysts on March 11th Aramco confirmed that the suspension of its planned capacity expansion will save around \$40bn in capital spending between now and 2028. But, it added, that does not mean Aramco is not investing. On the contrary, the aim is to spend between \$48bn and \$58bn in 2025, and maybe more in the few years after that.

A bit of that money will go to clean projects such as hydrogen, carbon capture, renewables and other clean-energy technologies. Some will go to cleanish ones, such as expanding Aramco's natural-gas production by over 60% from its level of 2021 by 2030, and backing liquefied-natural-gas projects abroad. But most is aimed at ensuring that Aramco can maintain its ability to pump up to 12m b/d of crude.

Given the company's actual output of around 9m b/d (see chart 2), this does not compromise its ability to move markets. If anything, it strengthens Aramco's position because it implies spare capacity of 3m b/d—above the company's historic average of 2m-2.5m b/d, according to Wood Mackenzie, a consultancy. The world's biggest oil firm is, in other words, committed both to pumping oil and to preserving Saudi Arabia's role as the market's swing producer.

That is in part because the company is also committed to pumping money into the economic vision for Saudi Arabia championed by Muhammad bin Salman, the kingdom's crown prince and de facto ruler. This became more evident on March 7th, when Aramco announced the transfer of 8% of its shares, worth \$164bn, out of the hands of the government and into the Public Investment Fund (pif), a vehicle for Saudi sovereign wealth which Prince Muhammad has tasked with diversifying the economy. This leaves the pif with 16% of Aramco, compared with the 2% or so that is owned by minority shareholders and traded on the Riyadh stock exchange (the rest remains directly in the government's hands).

In light of all this, Saudi Arabia's plans to suspend the expansion of production capacity do not reflect a u-turn away from hydrocarbons. Rather, the pause is born of a hard-headed assessment of market realities: a surge in oil production in the Americas, soft demand in China and cuts to output from the opec cartel (of which Saudi Arabia is the most powerful member). As Amin Nasser, Aramco's chief executive, summed it up in the results presentation, "Oil and gas will be a key part of the global energy mix for many decades to come, alongside new energy solutions." And so will Aramco. ■

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## **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.

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## **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.”

Source: Reuters

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**Ras Laffan petchem complex to reinforce qatar’s position in global petrochemical industry**



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

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 'Thmim 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.

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## **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.

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## **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).*