

# Exclusive: Exxon Mobil breaks with past, bulks up energy trading to boost profit



HOUSTON/LONDON (Reuters) – Exxon Mobil Corp (XOM.N) is pushing deeper into energy trading, building a global cadre of experienced traders and beefing up risk-management systems to lift profit, according to executive recruiters and people familiar with the business.

The development is a sea change for a company that has stood out from rivals by limiting its past activity out of concern it would be accused of market manipulation. Exxon now aims to trade around more of its growing energy assets to get the best prices for its products and increase earnings, according to an employee familiar with the matter.

Expanded trading could add hundreds of millions of dollars to annual earnings from its own buying and selling of crude and fuels, but also comes with problems, including higher risk. Exxon (XOM.N) expects to add 1 million barrels per day of output over the next several years as new oilfields and refinery expansions kick in, giving it more assets to trade.

Exxon last year retained John Masek, a former trader at Swiss-based Glencore (GLEN.L), the world's second largest buyer and seller of petroleum, to consult on gasoline trading. Earlier this year, it poached four gasoline market specialists from refiner Phillips 66 (PSX.N).

This month, Exxon hired former BHP Billiton Plc (BLT.L) trader Nelson Lee as an international crude trader, the people familiar with the matter said. In 2014, Lee orchestrated BHP's first-ever crude exports by maintaining the lightly refined oil met criteria for an exportable product. The deals helped usher in the end to a U.S. prohibition on crude exports more than a year later.

The company has also added crude, products and liquefied natural gas specialists to London and Singapore offices. It recently hired Paul Butcher, a trader who has worked at BP Plc (BP.L), Glencore and Vitol, to advise on North Sea markets and accounting for trading transactions.

"Paul is known for being a very aggressive, old school crude trader. Exxon would have never hired a risk taker of that scale in the old days. The fact that he is consulting them shows they are considering changes in trading very seriously," said a trading house executive who knows Butcher.

Phillips 66 declined to comment on the employee departures.

Exxon spokesman Scott Silvestri referred questions about its trading business and recent hiring to regulatory filings, which note the historical use of financial derivatives and geographic scale to manage commodity price risks.

## LIMITED RISK

Chief Executive Darren Woods wants to increase Exxon's profit and appetite for risk at a measured pace, according to people who deal with Exxon. The U.S. operation runs from a trading floor at its Spring, Texas campus that has expanded to as many as 70 workers who will handle everything from Canadian crude to gasoline, jet fuel and diesel.

"Trading has been a virtual four-letter word at Exxon," said Ehud Ronn, a University of Texas finance professor who studies energy and financial risk management. Exxon has drawn most top managers from engineering backgrounds, not financial services. "A change in their trading policy would indeed be transformational."

Exxon has long lagged behind rivals BP Plc (BP.L), Chevron Corp (CVX.N) and Royal Dutch Shell Plc (RDSa.L), which have created trading units that occasionally generate more profit than their refining businesses.

During the oil price downturn of 2015-2016, companies like Shell (RDSa.L) often made more profit in refining than in oil production, also known as upstream, and often cited trading as contributing to the success of the refining division.

Shell for example trades more than 8 million barrels per day or 8 percent of global production, twice the size of its own or Exxon's output. The huge figures come partially thanks to trading barrels of third parties, which Exxon currently does on a very limited scale.

Exxon would also normally hedge only cargoes going from one region to another and where crude is priced according to different benchmarks. BP and Shell would normally hedge all cargoes as well as taking sometimes a pure speculative position on the paper market to make profit, according to traders working for the firms.

“Exxon still doesn’t plan to begin speculative paper trading,” said one source familiar with Exxon’s thinking.

Woods faces pressure from Exxon investors to lift shares that trade at the same price as 10 years ago. He promised shareholders this year that he can double profit and increase its oil and gas output by 25 percent by 2025.

The company’s expanded focus on trading brings challenges including added risk from options, swaps and other derivatives, and developing risk-management and compensation systems for the larger business.

Exxon has held talks with at least two developers of risk-management software, Enuit LLC and Allegro Development Corp, people familiar with the discussions said. Both offer packages that manage logistics and measure financial exposure. The companies declined to comment on their discussions with Exxon, according to spokespeople.

Exxon has also put company veteran managers in charge of overall trading and risk controls at its Spring, Texas, floor, one person familiar with its operations said, to avoid potential losses as it expands trading.

“We’ve heard whispers in the market about this for a few years, so it’s great to see them finally hiring commercial talent externally,” said an executive recruiter familiar with some of the recent hires but who was not directly involved.

Additional reporting by Ron Bousso in London and Henning Gloystein in Singapore; Writing by Gary McWilliams; Editing by Richard Pullin/Adrian Croft

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# Arabie Saoudite : une dictature acceptable ?



Pourquoi tant de tolérance envers un régime qui enfreint les droits de l'homme et dont le rôle dans la région, notamment au Yémen, est problématique ? Pourtant la France l'a associé à l'organisation d'une réunion d'experts, à Paris, sur la crise humanitaire au Yémen.

Le prince héritier Mohamed Ben Salman (MBS) aime à se présenter comme le modernisateur de l'Arabie Saoudite. Après avoir ouvert aux femmes la porte des stades de football et des concerts de musique, le voilà qui vient de signer le décret d'application qui leur donne l'autorisation de conduire. Nombre d'observateurs ont présenté ces avancées comme «révolution». Ces éloges sont un signe inquiétant de l'absence de regard critique sur ce pays en même temps qu'ils révèlent la puissance du lobbying de Riyad qui s'est offert les services de quatre des plus grandes sociétés françaises de

relations publiques.

Comment apprécier à leur juste valeur ces quelques réformes. Les femmes ? Le mois dernier, la police du régime a mis en prison plusieurs activistes comme Aïcha al-Menae ou Hassa al-Sheykh, figures historiques de la lutte des droits des femmes. Tout se passe comme si le palais souhaitait envoyer le message que les nouvelles avancées sont uniquement le fait du jeune prince et non la conséquence d'un engagement de la société civile. Imane al-Nafjan, fondatrice du blog Saudi Woman et personnalité du combat contre la tutelle masculine, croupit toujours dans un lieu tenu secret derrière les barreaux avec d'autres féministes. Trainée dans la boue par la presse officielle, elle a été qualifiée de «traïtesse».

Les droits de l'homme ? Le bilan est accablant. Si, en valeur absolue, la Chine reste en tête des exécutions capitales (84% du total en 2017) devant l'Iran et l'Arabie Saoudite, l'ordre du trio s'inverse si on le rapporte à la population du pays ; c'est Riyad qui trône avec un ratio d'exécution 12 fois supérieur à celui de Pékin ! Sur le terrain pénal, le royaume continue à appliquer les mêmes sentences que le défunt Etat Islamique (Daech) : amputations pour vol, lapidation pour adultère, tortures et décapitations publiques, crucifixion, exposition des cadavres jusqu'à pourrissement des chairs, exécutions de mineurs, le tout en public.

Les cas de Raef Badawi ou Ali Mohamed al-Nimr sont à cet égard significatifs. Le premier a été condamné à dix ans de prison et 1000 coups de fouet suivis d'une d'interdiction de sortie du pays pour avoir animé un blog appelant à plus de droits et de libertés dans le pays. Incarcéré depuis juin 2012, il subit un châtime public par «tranches» de cinquante coups à intervalles réguliers... Son épouse, réfugiée politique au Canada, s'inquiète pour son état de santé car il souffre de différentes pathologies et nul ne sait s'il bénéficie d'un traitement adapté. Quant au second, arrêté alors qu'il était mineur lors des manifestations populaires du «printemps

saoudien» de 2011, il paie sans doute le fait d'être le neveu du célèbre dignitaire et opposant chiite Nimr Baqr al-Nimr, condamné à la peine capitale le 2 janvier 2016 et exécuté par décapitation puis crucifixion. Il faut reconnaître que pour faire bonne mesure, le religieux a été mis à mort en public en même temps que 45 salafistes sunnites considérés comme terroristes. D'autres prisonniers d'opinion comme Abdullah al-Zaher et Dawood al-Marhoon, poursuivis pour avoir participé à des manifestations, peuvent aussi être exécutés à tout moment.

Rappelons également qu'en Arabie Saoudite et ce, à la différence de tous les autres Etats musulmans, aucun autre culte que l'Islam n'est toléré et l'apostasie et l'athéisme y sont qualifiés de «terrorisme» donc passibles de la peine capitale. Cette réalité n'est pas une vue de l'esprit et le poète palestinien Ashraf Fayad, actuellement dans le couloir de la mort, en est la preuve vivante. Selon les juges de la charia, il faisait la promotion de l'athéisme dans un de ses livres. Sans oublier que le royaume inonde toujours la planète du salafisme, matrice du djihadisme mortifère contemporain qui, outre les milliers de victimes à travers le monde musulman, a causé dans les rues de Paris la mort de 240 personnes et fait quelques 900 blessés...

Plus bénin l'alcool : en septembre 1999, deux tablettes de chocolat contenant de la liqueur ont été découvertes dans le bagage du Philippin Faustino Salazar. L'accusé a tenté de se défendre en disant qu'il avait acheté ce chocolat dans un magasin Duty free à l'aéroport de Bahreïn mais il a été condamné à 75 coups de fouet et quatre mois de prison. En mai 2013, deux femmes de ménage d'Asie du Sud-Est ont été condamnées à mille coups de fouet et à dix ans de prison pour un «préjudice magique» infligé à leurs propriétaires. En 2007, un pharmacien égyptien Mustafa Ibrahim a été accusé de «pratiquer la magie et la sorcellerie, l'adultère et de profaner le Coran». Ses voisins l'avaient dénoncé en disant qu'il «conservait le Coran dans ses toilettes». L'enquête a

révélé qu'à l'aide de la magie noire, Ibrahim avait détruit la relation d'un couple et possédait dans son appartement un livre sur la sorcellerie, des bougies avec des inscriptions mystérieuses et des herbes à odeur étrange. Le pharmacien a donc été décapité au sabre. Les bourreaux saoudiens souffriraient-ils de surmenage du fait de la fréquence des peines physiques dans le royaume ? Les autorités de Riyad ont recruté en juin 2017, huit nouveaux coupeurs de tête.

Sur le plan régional enfin, est-il utile de rappeler que le régime joue un rôle moteur dans la déstabilisation d'une grande partie du Moyen-Orient ? Le soutien aux groupes islamistes en Syrie commence à se tarir. Mais à Bahreïn, ce sont ses troupes d'occupation qui, depuis sept ans, maintiennent à bout de bras la monarchie sunnite des al-Khalifa qui a failli être renversée par un mouvement populaire exigeant plus de justice sociale. Depuis, la majeure partie de la population de l'archipel vit sous la loi martiale avec arrestations arbitraires, interdiction des partis politiques, blocus total contre les villages «dissidents» et déchéance de nationalité au quotidien... Au Yémen, guerre voulue et déclenchée par MBS alors qu'il était ministre de la Défense, le massacre se poursuit en silence et le pays, après une épidémie de choléra, est menacé par la famine. La situation ne fait aujourd'hui qu'empirer avec l'assaut violent ordonné il y a quelques jours par les troupes saoudiennes et émiriennes sur le port d'al-Hodeida par lequel arrive la majeure partie des importations et de l'aide internationale.

Dans ces conditions et alors que s'est tenue à Paris une réunion en trompe l'oeil sur le drame humanitaire que vit le Yémen, comment comprendre le silence obséquieux de nombre de responsables politiques et médiatiques qualifiant de «révolution» les gestes du jeune prince alors qu'une énumération d'actes identiques aurait cloué au pilori n'importe quel autre pays du globe ? Si les mesurette sur les femmes annoncent une «révolution», alors Kim Jong-Un devrait



ouvrir un Mac Do à Pyong Yang pour montrer sa volonté de «démocratiser» son pays. Encore faut-il qu'il ait les moyens de s'offrir les mêmes réseaux d'influence que la dictature saoudienne, une «dictature protégée».

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## European parliament urged to condemn siege violations



QNA/Brussels

HE the Chairman of the National Human Rights Committee (NHRC), Dr Ali bin Smaikh al-Marri, has called on the European Parliament to shoulder its responsibilities and issue a decision condemning the violations committed by the siege countries against Qatar.

HE Dr al-Marri reiterated that the National Human Rights Committee will continue its efforts to trigger the international justice mechanisms until an end to the violations and redress for the victims.

HE Dr al-Marri was speaking during a meeting with President of the European Parliament Antonio Tajani, during a series of important meetings he held with a number of European officials in Brussels.

The NHRC chairman handed over a copy of "One Year on the Siege of Qatar" report to the European Parliament president.

The report documents all the violations of the siege countries against the Qatari people and the residents of the GCC countries, and the efforts exerted by the National Human Rights Committee inside Qatar and abroad to stop these violations.

HE Dr al-Marri praised the positive role of the European Union and the European Parliament towards the siege imposed on Qatar, referring to the European Parliament's support for the report prepared by the delegation of the technical mission of the UN High Commissioner for Human Rights following its field visit to Qatar, and its condemnation of the siege.

He also highlighted the discussions during the hearing session he held at the European Parliament, and the strong support of the MPs for the efforts exerted by Qatar and the NHRC to stop the violations resulting from the siege imposed on Qatar since June 5 last year.

The NHRC chairman called on the president of the European Parliament to take more effective measures and stronger positions to urge the siege countries stop their violations and to put an end to the suffering of thousands of Qatari and GCC families.

He demanded the European Parliament to uphold the principles for which it was founded and to take more effective action to protect human rights in Qatar and the Gulf Co-operation Council countries, explaining that position of neutrality loses all its justification when it comes to the humanitarian tragedy of thousands of families who have been suffering for more than a year because of the intransigence of the siege countries and their refusal to come to the dialogue table to end all cruel measures that did not harm Qatar as much as they affected the families which were separated and forced to leave Qatar, or expelled from the siege countries, the children who were deprived of their parents, the patients who were prevented from following their treatment in the Qatari hospitals, the students who were expelled from the siege

countries, and the businessmen who suffered huge losses and were deprived of their properties.

Dr al-Marri also gave a detailed explanation on the issue of politicising religious rituals by the Saudi authorities and their continued intransigence in preventing Qatar's pilgrims from performing the rituals.

The NHRC chairman also briefed the president of European Parliament on all the issues raised in international human rights forums in order to stop the violations resulting from the siege of Qatar, as well as the complaint filed by the State before the International Court of Justice against the UAE.

Dr al-Marri stressed the importance of continuing judicial and legal proceedings in the international arbitration bodies to stop the violations of the siege countries and to redress the victims of the siege, noting that all the evidence and the reports of the international human rights organisations confirm the involvement of the siege countries in serious violations of human rights, in breach of all international norms, rules and provisions.

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**GECF contributes to 60% of global pipeline, 54% of LNG trade**



Doha-headquartered Gas Exporting Countries Forum (GECF) is now contributing to 60% of global pipeline trade and 54% of the global LNG trade, which, according to its secretary-general Yury Sentyurin, “is a dominant position” in terms of market share.

Over the last 50 years, LNG industry has been evolving significantly regarding markets, trade, and capacity. The rapid evolution of the LNG industry has brought new market dynamics.

“GECF producers have already proven their credibility and reliability backed by the numerous years of experience and expertise in the industry, with cost effective supplies providing them a competitive advantage over the new comers to the LNG business,” Sentyurin told Gulf Times in an interview.

In terms of liquefied natural gas, GECF LNG exporters could compete with new non-GECF LNG projects in terms of prices, historical commercial relationships, access to the markets, and the competitive advantage of first movers.

“Likewise, at GECF we are emphasising co-operation and co-ordination with all market stakeholders, as a key to gaining efficiencies and reducing trading costs. Similarly, it is important to bring down production costs investing in new

technologies and innovation to create new LNG markets,” Sentyurin said.

On the other hand, in addition to the 60-plus million tonnes per year (mtpy) of LNG capacities under final investment decision process, the GECF member countries took FIDs for gas pipeline projects, where the forum expects an additional gas pipeline capacity of 140.5 bcm between now and 2020.

As an indication, the secretary-general pointed out the new gas pipeline exports capacity from GECF to Europe and China represents 19% and 16% of their respective current gas consumption.

On the impact of flexible LNG supply (with not destination clauses) on the market, the GECF secretary-general said, “First of all, flexibility is not only on the molecules of LNG produced with significant cost to move from the production place to the market, once in the hands of the trader who has only operational expenditure (OPEX) to recover.

“Flexibility is rather in the availability of the supply whenever there is a demand for it, and the ability of this supply to reach any market, under the contractual terms and conditions binding the seller and the buyer. This is what GECF member countries have been guaranteeing to the markets in a sustainable manner, comforting their concern over the security of supply.”

In addition, he noted the bulk of LNG supply, around 80%, is still under long-term contracts and most of it is with destination clauses. The so-called “flexible” LNG without destination clause is still small.

“In our opinion, more “flexible” LNG would likely represent an increase in available volumes traded on the spot markets. Such “flexible” LNG coupled with increasing liquefaction capacity triggered the appetite of a number of consuming countries to establish LNG trading hubs, particularly in Asia, such as Singapore, China and Japan.

“Such initiatives are at embryonic stage and the major conditions for such hubs to see the light are still not gathered,” he said.

Regarding the long-term contracts and destination clauses, Sentyurin said, "It should be reminded that, as far as the long-term contracts and/or destination clauses are concerned, shifting away from them, does not necessarily reduce the prices of natural gas, but create more volatility on the market." Contrarily, he said the advantages of long-term contracts have been proven resilient to support a resilient supply to the respond to the needs of the market, through guarantee of sufficient investments in gas industry. The post oil price drop of 2014 witnessed a considerable decline in investment in oil and gas industry, with 30% decline in new LNG projects, he added.

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## Leveraging World Bank's capital increase



By Bertrand Badré And Charlotte Petri Gornitzka/Paris

In April, governments from around the world agreed to a \$13bn

capital increase for the World Bank Group, sending a clear signal that multilateralism is far from dead.

The additional funding will strengthen the WBG's capacity to support development projects around the world.

But it also raises critical questions about how best to deploy the new funds and raise public capital in the future.

Meeting the 2030 United Nations Sustainable Development Goals (SDGs), as well as the WBG's own goal of taking development finance from "from billions to trillions," requires maximising the potential of the latest capital increase.

And to do that will require building a new architecture for development finance, so that a multitude of actors operating with limited resources have incentives to optimise performance, pursue joint action, and avoid duplicating one another's efforts.

A new framework will force all stakeholders – including the WBG, regional development banks, bilateral agencies, the European Investment Bank (EIB), and other institutions – to re-examine their role in the larger system.

We know from past experience that by strengthening the WBG, the use of public and private capital in development finance could become more fragmented.

To avoid that outcome, we need a system that motivates diverse parties to work together transparently.

A key focus should be on reinforcing the "billions-to-trillions" approach, which focuses on mobilising private-sector capital and ensuring the best use of public-sector capital.

Accordingly, the increase in public money must not be allowed to deter private-sector contributions through hidden competition or a "crowding out" effect.

Addressing these concerns will require a more clearly defined division of labor when it comes to allocating risks and responsibilities.

Moreover, it is time to rethink official development assistance (aid from governments), which remains crucial for alleviating poverty, protecting human dignity, and financing

basic services for people in places where no other financial resources are available.

Owing to limited investment in the SDGs, ODA must be deployed in such a way that it attracts additional financing, or channels existing resources through blended-finance (public-private) mechanisms.

As majority shareholders in the multilateral development-bank system, the largest contributors of ODA have a key role to play in aligning public- and private-sector incentives.

By coming together, they can steer the international community toward a system based on shared goals and collective responsibility.

The WBG's capital increase offers reassurance at a critical moment for multilateralism.

But it should not be treated as an excuse to stop innovating, or to take the easy route of relying solely on public capital, while avoiding the difficult task of pursuing blended-finance approaches.

Rather, we must seize the moment to address the sources of fragility, conflict, and violence around the world, and to create an encouraging environment for more private-sector investment.

Only by maintaining the current momentum can we move the SDG agenda forward.

Until now, blended-finance mechanisms for mobilising private capital have been used mostly in relatively stable middle-income countries.

According to a recent OECD study, nearly 43% of the private finance raised by such mechanisms between 2012 and 2015 was used in upper-middle-income countries, while only 7% was put to work in the least-developed countries.

It is vitally important to expand the use of blended finance in fragile and low-income countries.

Development banks' private-sector arms will need to do more to target their capital outlays in ways that mitigate risk and attract private-sector capital, rather than inadvertently crowding it out.



The world is just a few years into the SDG agenda.

But it is already clear that achieving it will require new incentives for public and private actors to direct investments toward those who are at risk of being left behind.

That means creating a system in which public funds are consistently targeted at the right areas, and for the right purposes.

At a time of populist agitation against multilateral institutions, the WBG's capital increase is a notable achievement in itself.

But the current political environment makes it all the more important that we get the next phase of development finance right.

We must stay focused on building and maintaining a cohesive architecture for meeting the SDGs and other international commitments, such as those embodied in the Paris climate agreement.

Change will not happen on its own.

So, rather than being at the mercy of global financial flows, we must harness finance as a tool for achieving our goals.

Doing so will require genuine, long-term engagement on the part of "shareholders," and pressure from engaged citizens the world over. – Project Syndicate

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## There is 'no real LNG supply glut,' says GECF chief



A “realistic analysis” has shown that there is “no LNG supply glut” and if any surplus is experienced on the market, it will be “meagre” and the market should “rebalance”, said GECF secretary-general Yury Sentyurin.

“There is a recurrent narration and a common perspective among market players that the global LNG market would face a glut, which would persist till 2022. It makes sense when more than 115mn tonnes of LNG capacity are expected to come onstream between 2017 and 2022. Accordingly, there was a variety of forecasts on when this oversupply in the market is expected to end,” Sentyurin told Gulf Times in an interview.

As to what extent will these forecasts materialise, the GECF secretary-general said, “In fact, a reaction of market fundamentals is different from what was already forecasted and there is a need to wait and see how LNG supply and demand

balance would take place in the coming years. The development of the LNG market in 2017 can be a good example.”

Despite the previously forecasted oversupply for the year 2017, global LNG trade reached 289mn tonnes, 10.3% higher compared to 2016. It means 27mn tonnes of additional LNG, which were mostly absorbed by the increase in demand driven by China and colder than normal weather in North East Asia.

Meanwhile, in 2017 the average price of spot LNG both in North East Asia and South West Europe markets increased by 25% and 30% respectively in comparison with 2016.

In fact, the market balanced both in higher quantity of traded volumes and level of prices. Consequently, in 2017, the glut was not observed in the LNG market as speculated.

Therefore, any realistic analysis on the subject of glut in LNG market needs to consider various aspects, Sentyurin noted. First, projection about incremental capacity during the next five years could be tracked, as information about LNG plants are available and visible for most of market players (based on final investment decisions – FIDs). However, forecasting growth of demand is a difficult task that depends a lot on factors such as energy policies, prices, climate concerns and geopolitics.

The lack of FIDs for new LNG projects observed in the recent past, with only two FIDs taken in 2016 and one in 2017 (Coral FLNG of Mozambique), is an indicator of a probable supply shortage in the next five years.

Second, there is a difference between capacity, which is supposed to come on stream and supply of LNG volumes into the market because of the ramp of the projects and utilisation rates.

Third, an oversupply in the LNG market should result in lower prices. If the pretended oversupply by some forecasters combined with lower prices, has to happen and persist for a long period, the market could react through postponement of projects’ FIDs, lower plant utilisations.

Oversupply in the market, Sentyurin said, can be absorbed by Europe as a “sink market”, or new markets like China or South

East Asia.

From the supply side, Sentyurin said, it makes sense that suppliers defer supplies by one or two years later through under-utilisation of plant and shut-in of projects as reaction to the market condition.

“It is certain that GECF member countries will be there at the appropriate time, with the adequate volumes to satisfy the global markets’ need based on ‘win-win’ situation,” Sentyurin noted.

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## **LNG shipping costs expected to become stable: GECF**



The shipping fuel price and spot charter rates are forecasted to be stable and expected to stabilise shipping costs at the current level, according to GECF secretary-general Yury Sentyurin.

This, he said could “prevent shipping costs from skyrocketing”

to the pre-2014 levels.

The global LNG capacity is expected to grow from 377mn tonnes per year (mtpy) in 2017 to around 463mtpy by 2020 mainly from new projects in the US, Australia and Russia.

Likewise, the global LNG trade is also forecasted to increase from 289mtpy in 2017 to 314mtpy and 353mtpy in 2018 and 2019 respectively, with strong growth in LNG imports from China and India, Sentyurin told Gulf Times.

Historically, he said LNG carriers and their capacity have grown in line with growing LNG trade and liquefaction capacity. In 2018 and 2019, a total of 73 new LNG carriers are expected to be commissioned (an increase from 467 vessels in 2017) with an overall capacity of 5.5mtpy (an increase from 32.8mtpy capacity in 2017).

“This is considered to be sufficient to meet the growing LNG trade. However, as only a small number of vessels are expected to be commissioned post 2019, amidst growing demand for spot LNG, this could lead to a shortfall in available LNG carriers from 2020,” Sentyurin noted.

There are several factors, which affects vessels availability for LNG trade, he pointed out.

Firstly, the duration of the charter contracts is of significant importance. The growing demand of short-term/spot LNG trade entails increasing demand for LNG vessels not operating under long-term contracts.

As of early 2018, 65% of the LNG carriers were chartered under long-term contracts valid until 2020 while the remaining 35% could be chartered under short-term or spot contracts.

Another factor is the seasonality demand for LNG, which is higher during the northern hemisphere winter and summer months and declines during spring and autumn months.

Finally, since new built LNG carriers are usually assigned to new LNG plants, delays in the commissioning of new LNG plants have led to some vessels coming to the market before the LNG plant is commissioned, he said.

LNG shipping costs, which consist of LNG carriers' charter rates, shipping fuel prices and other costs such as port fees,

canal fees and boil of gas, could represent up to 25% of the delivered LNG price depending on the trade route, Sentyurin said.

Charter rates, fuel price (which is highly dependent on the oil price due to the dominance of fuel oil in the bunkering fuel market) and the distance of trade routes have a significant impact on shipping costs.

He noted spot charter rates for LNG carriers, which averaged \$28,000/day in 2017 declined from a high of \$142,000/day in 2012 due to the growing number of LNG carriers and reinforcing competition in the market, but recorded a modest recovery from a low of \$23,000/day in 2016.

Spot charter rates also fluctuate in line with the seasonal demand for LNG. The shipping fuel prices declined to \$298/t in 2015 from \$673/t in 2012 due to the lower oil prices and raised the competitiveness of long-haul trade routes and translated into a decline in LNG prices.

In March 2018, spot charter rates and fuel prices averaged \$36,600/day and \$384/t respectively. The shipping fuel price and spot charter rates are forecasted to be stable and is expected to stabilise shipping costs at the current level and could prevent shipping costs from skyrocketing to the pre-2014 levels.

GECF Secretariat currently monitors developments in the LNG shipping industry in correlation with LNG trade using its 'Shipping Cost Model', which was developed in-house, Sentyurin added.

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## **GE Exits Health, Oil as CEO**

# Shrinks Onetime Titan to Save It



By Rick Clough

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- Flannery narrows focus again in revamp of U.S. business icon
- Company says it will maintain dividend through health spinoff

This is John Flannery's General Electric Co. – and so far, Wall Street likes it.

A year after being named chief executive officer, Flannery took the boldest steps yet to revamp the sinking corporate titan, unveiling plans to pull GE out of the health-care and oil markets. By slimming it down and reorienting around power, renewable energy and aviation, he hopes to breathe new life into the 126-year-old company.

“We’re refashioning the company at every level,” Flannery said Tuesday in an interview. “It’s fundamentally positioning the

company for the future.”

The overhaul will profoundly reshape an icon of American business -- albeit one that has fallen sharply from its Jack Welch-era heyday at the turn of the century. When Flannery's done, GE will bear little resemblance to the conglomerate that once counted NBC, home-appliances, plastic, locomotives and a sprawling finance unit among its operations.

This is John Flannery's General Electric Co. – and so far, Wall Street likes it.

A year after being named chief executive officer, Flannery took the boldest steps yet to revamp the sinking corporate titan, unveiling plans to pull GE out of the health-care and oil markets. By slimming it down and reorienting around power, renewable energy and aviation, he hopes to breathe new life into the 126-year-old company.

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The new GE won an early embrace from investors. The shares surged 8.5 percent to \$13.84 at 2:12 p.m. after advancing as much as 8.9 percent for the biggest intraday gain in three years.

The announcement clears away lingering concerns over GE's debt while laying out a plan to monetize several major assets, said Nicholas Heymann, an analyst with William Blair & Co. The moves will also help GE weather the storm in the gas-power



market until it begins to improve in a few years, he said.

“It’s the escape from the Alamo,” he said. “You’re basically reconfiguring the company to bring forward the value-creation opportunities.”

Still, as the Boston-based manufacturer struggles with cash flow issues and weak demand for equipment such as gas turbines, it’s far from recovered. GE fell 27 percent this year through Monday, following a 45 percent decline last year – a slump that led to GE’s removal this week from the Dow Jones Industrial Average after more than 100 years.

## **Trian Applause**

Trian Fund Management, which holds a stake in GE and has a seat on the board, said it welcomed the moves. “Trian supports the strategic initiatives announced today by GE and believes that these initiatives will create substantial value for shareholders,” the fund led by investor Nelson Peltz said in an emailed statement.

GE will narrow its focus to power, renewable energy and jet engines, according to a company statement. It will spin off its medical-equipment business and sell its majority stake in oilfield supplier Baker Hughes.

GE Gives Investors a Breakup. That’s a Start: Brooke Sutherland

“We have argued for the full breakup of GE and we pretty much have that – at least a realistic version of that,” Scott Davis, an analyst at Melius Research, said in a report. The health-care division is “a solid asset” and “what will remain at GE will largely be an aerospace business and a power business.”

GE plans to reduce net debt by about \$25 billion by 2020. The company said it would maintain its dividend through the health

spinoff. After that, GE “expects to adjust the GE dividend with a target dividend policy in line with industrial peers.”

## **Dividend Risk**

Payouts in health care are typically lower, so the combined dividend between GE and the spinoff will probably be less than current levels, Flannery said. Investors have been bracing for a possible cut as GE’s condition has deteriorated. The CEO already reduced the payout in November, a painful blow to the many investors who have come to rely on the steady income.

“The dividend will likely be cut materially,” Steve Tusa, an analyst at JPMorgan Chase & Co., said in a note to clients. “This is also ultimately a de facto equity raise and dividend cut when all is said and done.”

But the dividend announcement may be a relief to some investors. The payout won’t disappear completely, and a potential cut will only happen in line with the move to spin off the health unit, Heymann said.

S&P Global Ratings put GE’s A rating on a negative credit watch, saying it expects to downgrade it one notch to four levels above junk when the health spinoff is completed. Moody’s Investors Service reaffirmed its comparable A2 rating and said the moves were a positive step for GE’s credit.

## **Board Switch**

GE said Larry Culp would take over as lead director. Culp, a former Danaher Corp. CEO, joined the board earlier this year.

Flannery’s latest moves cap a strategic review he has been pursuing since taking the helm last year from Jeffrey Immelt, while effectively marking his second attempt to present a turnaround to investors. In November, Flannery unveiled changes including asset sales and a board overhaul, while saying the GE of the future would revolve around the energy,

aviation and health-care markets.

### More Power, Less Capital

GE Capital's contribution to total revenue has disappeared in the last decade

That generated criticism from investors who called the steps insufficient, and the shares continued to fall. Early this year, after GE detailed worse-than-expected problems with insurance liabilities, Flannery promised to explore bigger changes, including a possible breakup.

## Following Siemens

Since then, Flannery has agreed to unload GE's century-old locomotive operations. On Monday, he announced the sale of an industrial-engine business to buyout firm Advent International. Immelt sold most of GE's banking and consumer operations.

Under the plan unveiled Tuesday, GE will sell 20 percent of the health business and spin off the rest to its shareholders tax-free. The health business makes imaging machines and other hospital equipment.

The exit from health care mirrors a similar move by Siemens AG, the German industrial giant that's dramatically simplified its conglomerate structure in recent years.

The Munich-based manufacturer, which competes with GE in areas such as power-generation and medical scanners, sold shares in its Healthineers subsidiary in March, marking the country's second-biggest initial public offering in almost two decades.

## Shrinking Finance

The U.S. and European manufacturing titans have historically tracked each other's business closely, with close competition in power turbines, household appliances, medical devices and

light bulbs. Siemens today is a far leaner business than it was a decade ago, having cut ties with some historic assets such as its communications business and the Osram light-bulb business.

GE plans to “materially shrink” the balance sheet of its finance arm, GE Capital, targeting the sale of \$25 billion in energy and industrial finance assets by 2020. The company also is exploring options to reduce its insurance exposure. GE shocked investors this year with a \$15 billion shortfall in insurance reserves. It also disclosed an accounting investigation by the U.S. Securities and Exchange Commission.

The exit from the Baker Hughes stake – to occur over the next two to three years – will end GE’s brief, rocky tenure in the oil and gas market.

GE began an aggressive expansion of its crude operations in 2007 with the \$1.9 billion acquisition of equipment-maker Vetco Gray, building on a small set of assets. Over the next seven years, GE shelled out more than \$10 billion on additional deals, buying companies such as Wellstream and Dresser.

Just as GE Oil & Gas was becoming one of the company’s most prominent businesses, the market collapsed. The price of crude plummeted more than 60 percent over 2014 and 2015. With demand down sharply, the division has weighed on GE’s financial results.

What’s more, GE’s oilfield offerings were still limited compared to its rivals, constraining growth in the event of a recovery. Under Immelt, GE agreed in 2016 to join forces with Baker Hughes, creating a more-formidable player with a robust product lineup that would be better able to compete with industry leader Schlumberger Ltd.

That didn’t last long. Flannery said shortly after taking over last year that GE would explore options to get out of its 62.5

percent stake, without committing to a formal exit plan.

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## **'GECF committed to help India emerge as key player for future natural gas imports'**

India has announced plans to increase share of natural gas to 15% by 2020 from around 7% today.

The Gas Exporting Countries Forum, through its member countries, remains committed to supply additional LNG to the Indian market to help the country achieve its goal of natural gas representing 15% of the primary energy mix by 2020, says GECF secretary-general Yury Sentyurin.

India is emerging as key country for future natural gas imports as the government has announced plans to increase the share of natural gas to 15% by 2020 from around 7% today.

Asked what the Indian push towards LNG meant for GECF, Sentyurin said, "First of all, India as one of the fastest growing emerging markets, with economic growth about 7%, represents a huge promising future for gas demand in coming years.

"In addition, the fertiliser industry leads gas consumption in the country accounting for around 34% of total gas consumption. The fertiliser sector is of critical importance for the agricultural sector in India, which contributed to 17% of India's GDP in the financial year 2016-17."

On whether GECF would play a leading role in helping India reach its natural gas target, the secretary-general said, "The target of the government to reach a 15% share in the energy mix means a lot not only for GECF, but for India as an

important country engaging in securing energy for its industry, as well as for natural gas. "This denotes a golden future for this golden source of energy, widely available with GECF member countries sitting on more than 70% of its proven reserves."

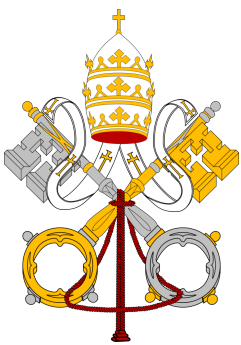
Sentyurin provided Gulf Times with some key facts and figures on natural gas market in India. India, he said, imports natural gas in the form of LNG amidst growing domestic gas demand and declining domestic gas production. GECF member countries have been a reliable supplier of LNG to India for more than a decade, since imports started in 2004. In 2017, GECF countries supplied more than 80% of India's LNG imports, which includes supplies based on long-term contracts and spot LNG sales, he said.

As of the beginning of 2018, India has more than 20mn tonnes per year (mtpy) of LNG supply under long-term contracts with more than 40% from GECF countries. He said GECF members have also strengthened the partnership with India, where India opted to purchase additional volumes of LNG from GECF members, in addition to the renegotiation of two long-term LNG contracts with some GECF countries based on 'win-win' situation.

At the same time, Sentyurin noted renegotiations with other non-GECF suppliers did not reach the same results. "This solid historical partnership with India is an asset in both sides that continues to be strengthened, especially with more calls for natural gas by Indian consumers," he said. "There are plenty of opportunities of co-operation with this important partner that could go above selling and buying gas and LNG, where we have seen the interest of India to invest in upstream and gas export projects in some GECF countries," Sentyurin added.

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# Macron and Pope talk poverty, migration and Europe in long meeting



The two talked together for nearly an hour in the official papal library in the Vatican's Apostolic Palace, about twice as long as Francis usually spends with heads of state or government.

They discussed “protection of the environment, migration, and multilateral commitment to conflict prevention and resolution, especially in relation to disarmament,” a Vatican statement

said.

They also spoke about prospects for resolving conflicts in the Middle East and Africa and the future of Europe, it said.

At the end of the private part of the audience, Macron gave Francis a rare copy of Georges Bernanos 1936 book "Diary of a Country Priest".

"I've read this book many times and it has done me good. It is a book that I have always loved very much," the pope told Macron, 40, who was accompanied in the public parts of the meeting by his wife Brigitte.

Francis gave Macron a medallion depicting Martin of Tours, a 4th century saint who is depicted cutting his cloak in half to give it to a beggar in winter.

"This means the vocation of those who govern is to help the poor. We are all poor," Francis told Macron as he was giving him the medallion.

Macron earned himself the nickname "president of the rich" in France after scrapping a wealth tax and cutting a popular housing allowance in the first year of his mandate, hurting his popularity with the working class.

As Macron left the library, he and Francis exchanged a two-cheek kiss, another very unusual gesture between a pope and a visiting head of state.

The Vatican was expected to issue a statement later on the themes discussed during the private talks.

Two months ago, Macron called for stronger ties between the state and the Catholic Church, a move critics said blurred a line that has kept French government free of religious intervention for generations.

The issue is particularly sensitive in historically Catholic France, where matters of faith and state were separated by law



in 1905 and which is now home to Europe's largest Muslim and Jewish communities.

France's guiding principles also hold that religious observance is a private matter, for all faiths.

Macron was raised in a non-religious family and was baptized a Roman Catholic at his own request when he was 12.

After leaving the Vatican he was installed as the "First and Only Honorary Canon" of the Rome Basilica of St John's in Lateran, which is the pope's cathedral in his capacity as bishop of Rome.

Under a tradition that began in the 15th century when France was a monarchy, French leaders are automatically given the title.

Macron took his seat of honor in basilica's elaborately carved wooden choir stall to the applause of those in attendance, including members of the local French ex patriot community.

Additional reporting by Michel Rose in Paris, Editing by Richard Balmforth