

# Saudi Arabia's crown prince is taking the kingdom back to the Dark Ages



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Since Saudi Arabia's current regime was established in the 1930s, a chain of kings and crown princes has either promised or attempted to implement some sort of democratic mechanisms.

However, the current crown prince, Mohammed bin Salman (or MBS, as he is commonly referred to), who is positioned as the kingdom's leader among the royal family's newest generation, seems intent upon taking the kingdom back to the norms of pre-modern Saudi Arabia. He has endorsed absolute monarchy more firmly and vociferously than any of his predecessors.

In an interview with the Atlantic, MBS stated that “absolute monarchy is not a threat to any country.” He added: “If it were not for absolute monarchy, you wouldn’t have the United States. The absolute monarchy in France helped the creation of the United States by giving it support. Absolute monarchy is not an enemy of the United States. It’s an ally for a very long time.”

MBS failed to note that the Colonies were revolting against an absolute monarchy. With this declaration, MBS fully embraced a pre-modern stance that had been abandoned by almost all of his predecessors, including his grandfather, King Abdulaziz, the founder of contemporary Saudi Arabia. In preaching absolute monarchy and abandoning even the mere promise of democracy, MBS’s approach to the monarchy is even more antiquated than his grandfather’s.

In 1924, when King Abdulaziz conquered the Hijaz, one of the most important regions of the Arab peninsula where Mecca is located, he promised an elected council, participatory politics based on the Islamic doctrine of consultation, and absolute freedom. King Abdulaziz denounced fake elections, a nominal parliament and unfulfilled promises to the people. In the elected council that he proposed, the elected members would have the power to check executive action, approve the budget and propose legislation. In 1926, King Abdulaziz drafted a constitution-like document that provided the theoretical framework for a degree of accountability and power-sharing.

This gesture toward constitutionalism was ultimately unrealized, but hope and the theoretical framework for democracy persisted. During the reign of King Saud, the first king among the sons of Abdulaziz, the proposal for transforming the system into a constitutional monarchy was nearly implemented. Prince Talal bin Abdulaziz published “A Letter to the Citizen” that contained the basic elements for the proposed constitutional monarchy that was to be

implemented by 1960. In the proposed constitution, general human rights and freedoms were to be protected. The proposed constitution also protected the right to establish unions and guilds, a right never protected or incorporated in any subsequent Saudi Arabian legislation. When King Faisal was officially inaugurated in 1964, the constitutional project was aborted.

In 1975, then-crown prince Fahd affirmed Islam's democratic basis, and when he became a king in 1982, he promised a parliament-like council and popular elections. It never happened. Fahd's brother Abdullah, at the time crown prince, revived the promises for democracy and constitutional monarchy in 2003, after a number of intellectuals and activists from all sides of the political spectrum signed a petition directed to him entitled "A Vision for the Nation's Present and Future." The petition demanded elections, the separation of powers, human rights guarantees and an end to arbitrary detentions in the kingdom. When representatives of the group met with crown prince Abdullah, he commented on their petition, saying, "Your vision is my vision, and your project is mine."

Several similar petitions followed. The most popular one, "Toward the State of Rights and Institutions," was presented by my father, prominent scholar Salman al-Awdah (who has been in prison since last September), and some of his friends and signed by several thousand citizens, including me and many members of my family. The petition marked the climax of the popular activism in Saudi Arabia for constitutional monarchy and democracy in Saudi Arabia. The phenomenon, commonly referred to as the Arab Spring, likely served as a catalyst for the petition's popularity. Yet this time, Abdullah, who had assumed the throne but has since passed away, offered no promise for democracy.

Thirty-two-year-old MBS has promised nothing but a long reign of absolute monarchy and a firmer grip on power. While

ironically promising a bright economic future embodied by his initiative for a 21st-century city, Neom, he has also promised religious regression, all the way back to the conditions that resulted in the country's most infamous terrorist attack in 1979.

Previous kings and crown princes were not eager to embrace democracy either and may not have moved honestly toward it, but their maneuver of accepting democracy as an end allowed for some healthy interaction between the people and the kings to take place. With such interactions, there was always a great chance to establish a meaningful social contract between the people and the royal family for a foundation for a more stable and democratic future.

The change of mind-set with MBS toward embracing eternal absolute power marks a dramatic shift from past democratic promises that offered some hope for the future, even though none of them were ever fulfilled. The new Saudi administration has gained positive press for its futuristic rhetoric, including talk of a robotically manned city, and for allowing women to drive. But make no mistake: We are witnessing a return to Saudi Arabia's past. In abandoning the promise of democracy, the crown prince may actually be on his way to making Saudi Arabia more medieval than ever.

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**Un embargo lungo un anno Ma  
il Qatar resiste e rilancia**



A più di un anno di distanza la conclusione sembra evidente: l'embargo di Arabia Saudita, Barhein, Egitto, e Emirati Arabi Uniti ai danni del Qatar, non ha certo piegato piegato l'emirato del Golfo persico.

Ripercorriamo i fatti. La vicenda è iniziata nel giugno 2017. I paesi sopra citati -asserendo una presunta vicinanza qatariota ad alcune organizzazioni terroristiche- hanno imposto al Qatar di soddisfare una lista di 13 richieste, tra le quali la chiusura dell'emittente televisiva Al Jazeera, l'interruzione dei rapporti con l'Iran, e la chiusura della base militare turca a Doha. Richieste che al governo di Doha sono apparse come una violazione della sovranità nazionale. Al comprensibile diniego del Qatar è seguito l'embargo nei confronti del piccolo emirato del Golfo Persico, vale a dire la chiusura delle vie di rifornimento verso il paese (tra cui quella di ben 18 corridoi aerei), e delle rotte navali verso il porto di Dubai. L'ostilità del blocco dei quattro paesi poteva creare non pochi problemi a Doha, ma, appunto, a un anno di distanza a quanto pare l'isolamento del Qatar non è riuscito.

Vari testimoni internazionali concordano nel sottolineare l'inaspettata resilienza del Qatar in questa situazione di crisi. Infatti, nonostante le difficoltà, l'economia del Qatar sembra tenere. La disoccupazione è rimasta praticamente assente. Qualche settimana fa Banca nazionale del Qatar ha aggiornato le previsioni di crescita economica per il 2018 a 2,8 punti percentuali, un valore di tutto rispetto. Il Qatar ha continuato a sfruttare le sue enormi riserve di gas e petrolio, dato che i suoi principali partner commerciali in questo settore non sono altri paesi arabi, ma Giappone, Corea del Sud, Cina e India. Il fondo sovrano qatariota ha investito decine di miliardi di dollari nell'economia. E tra l'altro è stato varato un corposo piano per la costruzione di nuove infrastrutture, anche legato ai Mondiali di calcio del 2022 che si terranno proprio in Qatar.

A livello internazionale, poi, la chiusura dei quattro paesi promotori dell'embargo ha comportato l'apertura di maggiori canali diplomatici, commerciali, di relazione con la Turchia, con l'Iran e con la Russia. Del resto il blocco dei paesi contrapposti al Qatar è incrinato anche dal Kuwait e dall'Oman, nient'affatto sfavorevoli al Qatar.

Su un fronte più ampio, poi, anche gli Usa hanno virato in maniera decisa verso una posizione favorevole al Qatar. In varie occasioni Mike Pompeo, segretario di Stato americano, si è dichiarato favorevole a una risoluzione del contenzioso, in accordo col presidente Donald Trump. A proposito dell'atteggiamento dei sauditi nei confronti del Qatar Pompeo ha dichiarato: «Quel che è troppo è troppo». Tra l'altro anche l'Italia ha recentemente dichiarato, per bocca del ministro degli esteri, Enzo Moavero Milanesi, di voler intensificare le relazioni commerciali con il Qatar.

In breve, sarebbe ora che gli attori internazionali nell'area, e non solo, prendessero coscienza del fatto che isolare il Qatar non è stata una buona mossa, e che è opportuno fare la giusta pressione diplomatica a livello internazionale per una

soluzione della questione.

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# **JARED KUSHNER HAS REPEATEDLY DODGED BEING SERVED RUSSIAN CONSPIRACY LAWSUIT, DNC LAWYERS CLAIM IN COURT**



resident Donald Trump's son-in-law Jared Kushner is being accused by Democratic National Committee (DNC) lawyers of avoiding a court summons from a lawsuit alleging that the Trump campaign conspired with Russia against Hillary Clinton in the 2016 presidential election.

Kushner, who serves as a senior White House adviser, has

dodged being served the summons at least a half-dozen times since last month, DNC lawyers claimed in a court filing Tuesday.

Lawyers had no success in three attempts to deliver the documents in June, because someone at Kushner's apartment in Manhattan would not accept them.

At Kushner's home in Washington, D.C., a Secret Service agent told the process server to "figure out another way to attempt service," CNN reported. In late June, lawyers sent the documents by certified mail to Kushner, but the U.S. Postal Service said no one was home to sign and they were returned to the sender.

Finally, a process server in Manhattan "tried to serve the doorman, security guard, or mail clerk at Kushner's New York residence, or alternative to affix a copy of the service packet to Kushner's door, but the staff at Kushner's building did not accept service," the DNC stated in the court filing.

Joseph Sellers, an attorney representing the DNC, asked the court on Tuesday if the summons could be mailed first-class to Kushner's house in Washington, D.C. "Plaintiff's counsel is confident that Kushner and his family live there. Mail sent to that address is reasonably calculated to reach him," Sellers wrote, according to Politico.

But U.S. District Court Judge John Koeltl denied Sellers's motion on Wednesday on the grounds that the DNC "has not yet established the impracticability of other means of serving Kushner," and suggested they try Kushner's lawyer.

"Service is not intended to be a game for the serving party or the party to be served," Koeltl wrote. "The court is confident that the DNC's counsel can contact Kushner's counsel and arrange a mutually convenient means to effectuate service."

A lawyer for Kushner and the White House did not immediately



respond to requests for comment from *Newsweek* on Wednesday.

The DNC sued the Trump campaign, Russia and WikiLeaks in April, alleging they interfered in the election in a “brazen attack on American democracy.” Beside Kushner, defendants include Trump’s former campaign manager Paul Manafort and former adviser Roger Stone.

The accusation against Kushner arrived as Trump is scrutinized for having failed to criticize Russian President Vladimir Putin in a joint press conference days after the Justice Department indicted 12 Russians as part of special counsel Robert Mueller’s investigation into Russian meddling in the election.

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## **U.S. oil industry lobbies against tighter sanctions on Russia**

WASHINGTON, July 20 (Reuters) – The U.S. oil and gas industry is lobbying against tighter sanctions on Russia that could impact U.S. investments there, congressional sources said on Friday.

The U.S. Senate has revived a bill, called DETER, that would allow for swift sanctions if Moscow was found meddling in future U.S. elections. Both Democrats and Republicans are looking to redress what they consider President Donald Trump’s weak stance on accusations of Russian interference in the 2016 election when he met Russian President Vladimir Putin on Monday.

Top U.S. energy company Exxon Mobil is among the firms that have previously opposed U.S. sanctions on Russia. Opponents claim sanctions unfairly penalize U.S. companies while allowing foreign energy rivals such as Royal Dutch Shell and BP to operate in the world's biggest oil producer.

Western powers imposed sanctions in 2014 after Russia's annexation of Crimea.

Democratic Senator Chris Van Hollen told Reuters on Friday there was growing bipartisan support for his DETER bill.

When asked whether energy industry lobbyists were either opposing the bill or seeking revisions, Van Hollen said that "a range of issues need to be discussed including ... ones related to U.S. and European energy projects."

Van Hollen said that while he was willing to address "reasonable concerns" from industry representatives and other lawmakers, the legislation needed to be robust enough to discourage Moscow from meddling in future U.S. elections.

"Don't trip the wire because if you do, sanctions are automatic and harsh" should be the message, Van Hollen said. He said he had not been directly contacted by energy lobbyists.

Lobbyists representing oil and gas firms with interests in Russia were opposing the legislation, two Senate aides said. They did not mention specific companies and spoke anonymously because private conversations were still underway.

One of the Senate aides said the U.S.-Russia Chamber of Commerce was raising concerns about the legislation.

The chamber describes itself as a non-profit organization headquartered in Houston that promotes trade between Russia and the United States. Its members include Shell, Exxon Mobil, and Chevron.

Chamber representatives and the three energy companies did not respond to requests for comment.

Exxon has already taken a hit because of sanctions. In February, the firm said it would exit some joint ventures with Russia's Rosneft.

The company still has operations in Russia, including an oil venture on an island in the North Pacific called Sakhalin. (Reporting by Richard Cowan and Timothy Gardner, Writing by Richard Cowan Editing by Mary Milliken and Rosalba O'Brien)

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## Opec+ pushes on with supply boost, yet split on quotas



Bloomberg/Kuwait

Opec and its allies are raising output to keep world markets adequately supplied, yet remain divided on how much each

country should produce.

During a conference call on Wednesday, oil ministers discussed how much they planned to pump in July, while side-stepping more contentious questions about production quotas, according to people familiar with the matter. Technical experts meeting the same day failed to reach a recommendation on how the supply increase should be distributed among members amid disagreements between Saudi Arabia and Iran, they said.

As far as global oil markets are concerned, the differences between the two might not matter immediately, as Saudi Arabia and Russia press on with increasing production regardless. Yet, a prolonged clash risks shattering Opec's hard-earned cohesion after it worked with its allies to bring crude out of the biggest price-slump in a generation.

Further production increases from the Saudis are almost certainly on the way. The kingdom has told fellow producers that its output will be slightly higher this month than in June, the people said.

It had reported 10.489mn barrels a day of output for last month, not far from the record reached in 2016. Russia has also signalled it's pumping more.

Getting a formal blessing from the Organization of Petroleum Exporting Countries for these increases is proving more difficult.

Although Opec and its partners – led by Russia – agreed to boost output last month to cool rallying prices, the size of the increase was contested. For Russia and the Saudis, it was about 1mn barrels a day. To Iran, which is seeing its exports slide amid renewed US sanctions, it was much less.

The dispute flared again at Wednesday's committee meeting in Vienna, when Iran's representative repeated the country's position that output limits assigned in late 2016 still apply and countries shouldn't exceed these, according to people familiar with the talks, who asked not to be identified as the discussions are private.

Supply increases by the Saudis and Russia are compensating for losses elsewhere in the coalition, particularly in Venezuela,

and bringing the alliance closer to its target. Higher production from these two means overall compliance of Opec+ with the output levels agreed in 2016 was 121% in June compared with 147% in May, according to data from the committee.

US President Donald Trump is exacerbating the Saudi-Iran split by pressing Riyadh to replace Iranian shipments that he intends to partially shut down through sanctions. While the Saudis seem to be paying heed by offering extra cargoes to some buyers in Asia, Iran has said Opec should defy US demands.

Saudi Arabia has indicated a production level of 10.5mn barrels a day in July. That would actually be slightly lower than expected as the kingdom was on track to reach 10.8mn, people briefed with production policy said late last month.

As for whether Opec can smooth out the differences between the Saudis and Iran, settle on individual country limits, and preserve its unity, ministers will hold another teleconference next month and meet in person in Algiers in late September.

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**The law that broke up the Rockefeller oil empire 100 years ago may soon be used on OPEC**



OPEC is consulting with lawyers to prepare a strategy to defend against proposed U.S. legislation that could open the cartel up to antitrust lawsuits, according to people familiar with the matter.

The organization's legal team will hold talks in the coming days with law firms including White & Case about the "No Oil Producing and Exporting Cartels Act," one of the people said, asking not to be identified because the information is not public. The cartel is seeking strategy recommendations for dealing with the NOPEC bill, which could allow the U.S. government to sue it for manipulating energy prices, the person said.

A spokesman for White & Case declined to comment.

The planned meeting highlights the growing pressure on the Organization of Petroleum Exporting Countries from the world's largest oil consumer. President Donald Trump has repeatedly criticized the group on Twitter, accusing it of inflating prices and urging it to increase production. The cartel has

bowed to Trump's will, pledging last month to add about 1 million barrels a day of crude to the market, yet lawmakers have continued to push NOPEC forward.

The House of Representatives introduced a version of the bill in May. The Senate earlier this week also brought up a draft of the legislation, which would amend the Sherman Antitrust Act of 1890. That's the law used more than a century ago to break up the oil empire of John Rockefeller.

Congress has discussed various forms of NOPEC legislation since 2000, but both Presidents George W. Bush and Barack Obama threatened to use their veto power to prevent it becoming law. The risk for OPEC is that Trump could break with this precedent.

OPEC pumps about a third of the world's crude, and the biggest of its 15 members is Saudi Arabia, one of America's closest friends in the Middle East. While the group doesn't target a specific oil price, it adds or removes supplies in the market and therefore can affect the cost of crude. Since January 2017, the group and allies including Russia have cut production by about 1.8 million barrels a day, helping to lift international prices to a three-year high of more than \$80 a barrel in May.

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## **UPDATE 1-Saudi oil exports to drop by about 100,000bpd in Aug- OPEC governor**

DUBAI, July 19 (Reuters) – Saudi Arabia expects its crude exports to drop by roughly 100,000 barrels per day in August as the world's top oil exporter works to ensure it does not

push oil into the market beyond its customers' needs, the kingdom's OPEC governor said on Thursday.

Adeeb Al-Aama said in a statement that Saudi Arabia's crude oil exports in July would be roughly equal to June levels. There was no mention in the statement of Saudi June crude exports.

An industry source familiar with the matter said Saudi oil exports in June were about 7.2 million bpd, while the latest official figures show May exports at 6.984 million bpd. Al-Aama said Saudi Arabia's policy is to work on satisfying customers' needs, but to do so while adhering to OPEC and non-OPEC supply agreements.

OPEC agreed with Russia and other oil-producing allies last month to raise output from July, with Saudi Arabia pledging a "measurable" supply boost but giving no specific numbers.

OPEC and non-OPEC said they would raise supply by returning to 100 percent compliance with previously agreed output cuts, after months of underproduction. That would mean a roughly 1 million bpd increase in output.

"Despite the international oil markets being well balanced in the third quarter, there will still be substantial stock draws due to robust demand and seasonality factors in the second half," Al-Aama said in the statement.

He also said concerns that Saudi Arabia and its partners are moving to substantially oversupply the market are "without basis".

"Stable and balanced markets are the ideal market form for both producers and consumers, and just as Saudi Arabia would not like to see unmet customer demand, an oversupplied market repels potential investment in the oil industry, curtailing future supply and contributing to volatility," he added.

Saudi Arabia has told OPEC it pumped 10.488 million bpd of crude oil last month, an increase of 458,000 bpd from the



level it said it produced in May.

The kingdom's total crude supply to the market in June were even higher than well-head production, OPEC sources told Reuters, suggesting the Kingdom sold crude from storage. (Reporting by Rania El Gamal; Writing by Ghaida Ghantous; Editing by Jan Harvey and Alexandra Hudson)

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## [GGP] EUROPEAN COMMISSION TAKES AIM AT QATAR'S LNG CONTRACT



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### European Commission Takes Aim at Qatar's LNG Contracts

- Japan Fair Trade Commission's recent market study on clauses in LNG SPAs indicates that agreements may run afoul of Japanese antimonopoly laws.
- European Union (EU) cases may provide guidance on the application of competition law to destination clauses, diversion clauses, profit-sharing clauses and take-or-

pay clauses.

- The European Commission (EC), having just concluded its seven-year investigation into Gazprom, has opened an investigation into “destination clauses” in Qatar Petroleum’s LNG supply agreements with EEA importers.
- Previous EC investigations into destination clauses in LNG and pipeline gas agreements suggest that commitments from Qatar Petroleum are a more likely outcome than a fine.
- The investigation is likely to conclude sometime in the next three years, unless the Qatar government decides to become more involved in the investigation.

## **Summary**

The European Commission’s (EC) current investigation into Qatar Petroleum is likely to have a major impact on Qatar Petroleum’s LNG supply agreements with European Economic Area (EEA) importers. Based on previous EC investigations into LNG contracts and neighbouring gas markets, Qatar Petroleum appears likely to settle the investigation with the EC in exchange for a commitment (or a “common understanding” with the Qatar government, depending on the extent of its involvement) to remove any territorial restriction clauses from Qatar Petroleum’s LNG contracts with EEA importers.

Qatar Petroleum is unlikely to receive a fine from the EC (which technically could be up to 10% of its worldwide turnover), unless it is later found to have breached its settlement agreement with the EC. We do not expect an imminent outcome in this investigation, with a likely time frame being circa 18 months on the short end, extending to circa three years at the long end. However, the time frame could become very unpredictable if the Qatar government decides to become more involved in the investigation.

## **The EC Investigation into Restrictions to the Free Flow of Gas Sold by Qatar Petroleum in Europe**

The EC has launched an investigation into whether supply agreements between Qatar Petroleum companies exporting LNG and European importers have hindered the free flow of gas within the EEA through so-called “destination clauses.” According to reports, the EC is looking into at least three types of destination clauses:

1. clauses that stop cargoes from being diverted to another terminal;
2. clauses that restrict the list of countries that they can sell the LNG on to;
3. clauses that limit the volumes of LNG that can be diverted.

The investigation currently involves concerns in relation to both Article 101 (ban on anticompetitive agreements) and Article 102 (prohibition on the abuse of a dominant market position) of the Treaty on the Functioning of the European Union (EU). We are not aware of any other companies being investigated alongside Qatar Petroleum, which has, in turn, stated that it will cooperate with the investigation.

Qatar Petroleum is EU’s largest seaborne gas supplier, accounting for 40% of the EU’s overall LNG imports (and much more in some Member States). The EC press release states that Qatar Petroleum’s long-term agreements (typically 20 or 25 years) for the supply of LNG into the EEA contain direct and/or indirect territorial restrictions on EEA importers’ freedom to sell the LNG to alternative destinations within the EEA. Destination clauses have historically been a fixture of long-term LNG deals that tie buyers to receiving shipments at a specific port, thereby preventing cargo diversions that could undercut Qatar Petroleum in a third market.

It is unclear whether clauses containing so-called “profit-sharing mechanisms” (which, the EC has previously considered, act as a restraint on cross-border resale of LNG) are also being investigated. While “take or pay” clauses under the LNG

agreements are understood not to be under investigation, reports have noted that these clauses amplify the perceived harm to EEA importers from restricting their ability to resell LNG across borders (by forcing Member States to pay for a fixed amount of LNG even when there is insufficient demand or storage space). The scrutiny of destination clauses intensifies under these circumstances, since they prevent the onward sale of this excess LNG to other Member States.

Reports suggest that one focus of the investigation will be whether the complexities of the LNG market (compared with pipeline supply of gas in, e.g., Gazprom—discussed in further detail below) justify the use of destination clauses. Qatar Petroleum will be well aware of the EC's history in investigating destination clauses in LNG contracts. Between 2002 and 2007, the EC investigated Nigeria's NLNG and Algeria's Sonatrach (AT.37811), the second and third largest LNG suppliers to the EU after Qatar Petroleum. The EC settled both investigations, with NLNG and Sonatrach each committing to ending the use of territorial sales restriction clauses in contracts with EEA importers. While the EC's approach (i.e., targeting specific companies) is narrower than, e.g., Japan's (which took an industry-wide approach by banning the use of destination clauses in LNG contracts – discussed in further detail below), commentators have noted that, if the EC does not find a justification for destination clauses in LNG contracts in the current investigation, then this would likely have implications for the wider European LNG market as well.

The current investigation into Qatar Petroleum was formally launched under the EC's own initiative, although we cannot exclude the possibility that the investigation has also been motivated by receipt of third-party complaints. However, according to reports, the EC sent out questionnaires in relation to LNG markets in Spain, France and the United Kingdom as early as 2016. The EC is also understood to have engaged in extensive consultation with Japan's Ministry of

Economy, Trade and Industry in recent months to explore the impact of destination clauses on gas market development and price transparency, which may have helped build the EC's case against Qatar Petroleum.

## **The EC Internal Energy Market**

The current investigation falls within several broader EU priorities. The EU is taking steps on the one hand to remove territorial restrictions across the EU Single Market (including in energy markets) and; on the other hand, to diversify the EEA's energy supply away from monopolistic companies that are prone to commercial expediency or external political influence, undermining the EEA's energy security.

The EC's Follow-up Study on LNG and Storage Strategy (2017) noted that "There was, perhaps, in the early stages of the industry, a reason for putting destination clauses into LNG contracts. Because of the boil off nature of LNG, cargoes need to be in transit for as short a time as possible. Traditionally, buyers, sellers and financiers all needed to know that when a cargo left the liquefaction terminal, it would go directly to a regasification terminal without delay and with a guaranteed reception. In the early days of the LNG industry, when there was no spot market to send cargoes to, it perhaps made sense for both parties to agree to destination clauses so as to minimise risk and attract the project financing. **It is not so clear now though why destination clauses have been maintained, except perhaps for a certain inertia in the industry.** According to EU competition rules, destination clauses are anti-competitive and for this reason they have already been removed from some contracts for LNG sales to Europe."

The EC also signed a memorandum of co-operation with Japan (the world's largest importer of LNG) last year whereby the two countries agreed to commit to ending the use of destination clauses in LNG contracts. Later that year, the

Japan Fair Trade Commission announced an industrywide ban on the destination clause or restriction on buyers in any new LNG contracts (see link to our previous article on the JFTC ban [here](#)).

## **Gas Market Investigations**

The EC concluded its seven-year investigation into Gazprom (AT.39816, 2011-2018) last month. That investigation included concerns that Gazprom imposed territorial restrictions in its supply agreements with EEA wholesalers and industrial customers. The restrictions included export bans and clauses requiring the purchased gas to be used in a specific territory (i.e., destination clauses) and other measures that prevented the cross-border flow of gas.

In response, the EC imposed binding obligations on Gazprom by way of a decision on 24 May 2018 (see the EC's press release in relation to the decision [here](#)), requiring Gazprom to remove all territorial contractual barriers to the free flow of gas within the internal market, regardless of whether they make cross-border sales impossible or merely financially less attractive, and prevented Gazprom from reintroducing such clauses in the future. While no fines were imposed, the EC noted that, "If a company breaks any of these obligations, the Commission can impose a fine of up to 10% of the company's worldwide turnover, without having to prove an infringement of EU antitrust rules."

We note that, due to contemporaneous Russian-European relations we cannot rule out that political concerns may have played a role. Other enforcement actions in neighbouring gas markets include investigations against Statoil and Norsk Hydro (now merged and known as Equinor, in 2002), Eni (2003 and 2005), GDF (now Engie, 2004) and E.ON Ruhrgas (now Uniper, 2005).

There have also been national investigations into gas markets.

For instance, the U.K. investigated the domestic bulk LPG market in 2004-2006. However, this investigation related to barriers to domestic households switching LPG suppliers and did therefore not involve an EU internal market element relevant to the Qatar Petroleum investigation.

## **Conclusion**

Based on the previous investigations discussed above, it appears that Qatar Petroleum could settle the investigation, allowing it to escape a fine of up to 10% of its worldwide turnover. However, Qatar Petroleum may likely face a commitment decision requiring it to remove all destination clauses from current contracts with EEA importers and preventing it from imposing any new destination clauses in the future. A breach of these commitments would, in turn, increase the risk of the EC imposing a fine of up to 10% of Qatar Petroleum's worldwide turnover.

As the EC press release notes, there is no legal deadline within which the EC must conclude its investigation. By way of indicative timing, we note that, while the EC took seven years to conclude its investigation into Gazprom, that was a seemingly more complex investigation involving several allegations of anticompetitive conduct in addition to the use of destination clauses. The Qatar Petroleum investigation, however, appears to be limited to destination clauses.

The EC did not publish a launch date for its LNG investigations into NLNG and Sonatrach, so we cannot say with certainty how long it took to conclude these. What is clear is that the time frames can vary significantly, since we know that the investigation into Sonatrach lasted some five years longer than the investigation into NLNG. Based on its previous experience from these investigations, the EC is well-equipped to handle the Qatar Petroleum investigation, and it could be expected to deliver a quicker result – this could involve a settlement within the next two years. The investigation is

likely to conclude at the earliest in about 18 months with three years being a likely long-end time frame.

We note, however, that the Sonatrach investigation, which lasted for at least five years, technically culminated in a “common understanding” between the EC and the Algerian government (as opposed to a settlement between the EC and Sonatrach). We cannot exclude a similar EC-to-government outcome in the Qatar Petroleum investigation, which would render the time frame less predictable.

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## **Qatar benefits from Russian experience for 2022 World Cup**



QNA/Moscow

Major General Ali al-Ali, Assistant Executive Director for Security Affairs at the Supreme Committee for Delivery & Legacy (SC), has confirmed reaching final stages of the



security programmes with the Russian side in securing the 2018 World Cup, which included shadow monitoring, field observation and fieldwork.

“We have sent about 70 officers who have been deployed to several cities. The focus has been on the major events that took place. The teams have worked in stadiums, in the streets and in the places where the masses are gathered,” said al-Ali. Four officers participated with the Spanish, Russian and English police in securing fans during matches, he added.

“We look forward to benefiting from the Russian experience and applying it in the State of Qatar to secure the 2022 World Cup. We hope that the World Cup will be a starting point for other countries to follow us and to take advantage of our experience in the future,” he noted.

He said that one of the most prominent things that were observed in the security of the World Cup Russia is the management of crowds, saying, “They were very special in the management of crowds as well as proactive step.”

Al-Ali praised the gains and great benefits achieved through this co-operation, most notably the implementation of FIFA’s best standards, especially that the application of “FIFA Handbook” in coordination with the Russian side, and there were many additional things to enhance security and safety.

### **Majlis Qatar hosted a football legends match Friday**

Organised in collaboration with Save the Dream, from the International Centre for Sport Security, the match featured Christian Karembeu, David Trezeguet, Didier Drogba and Honey Thalijeh.

They played alongside women and children from local communities in order to support the programmes ambition to provide hope and opportunities to young people through sport.

Majlis Qatar and Qatar Elements are running alongside various other activations in Doha, Moscow and St Petersburg.

These include interactive digital portals that connect fans

via live video feeds.

The SC is also hosting the Qatar roadto2022 Exhibition at GUM department store in Moscow.

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## **French banks score capital victory against ECB**



Reuters/Frankfurt

French banks won a landmark court victory against the European Central Bank yesterday, giving them an exemption from holding capital against customer deposits parked with a state-owned fund.

The European Union's top court annulled an ECB decision demanding that the six banks set aside capital against special deposits they have with state investment institution Caisse des Dépôts et Consignations (CDC).

The ruling marks the first high-profile success for banks in a case brought against the ECB since the central bank became the

industry's main supervisor in 2014 under the lead of France's own former chief regulator, Daniele Nouy.

"The ECB has erred in law and committed manifest errors of assessment," the court said. The ruling will lower capital requirements for BNP Paribas, Societe Generale, Credit Agricole, Credit Mutuel, Groupe BPCE and La Banque Postale by billions of euros in total.

French tax-free savings accounts, such as the Livret A, were worth some €386bn at the end of May but their popularity is waning due to the low interest rate they pay.

Banks can deposit up to 60% of that cash with the Caisse des Dépôts et Consignation, which uses the funds to invest in public housing and other projects.

La Banque Postale and BPCE, which long had a monopoly on French regulated savings accounts, were likely the main beneficiaries of the verdict. Under EU rules, banks must hold capital worth at least 3% of their total assets.

By stripping out the deposits with the CDC, banks would get a higher leverage ratio for a given amount of capital.

La Banque Postale said in its annual report it had capital worth 4.5% of its assets at the end of 2017 but that ratio would come in at even healthier 5.3% if its deposits with the CDC had been excluded.

As the bank's assets were worth 205bn at the end of last year, according to its annual report, that 0.8% difference is worth €1.64bn (\$1.91bn).

BPCE and Credit Agricole SA knocked 30 and 15 basis points respectively off their leverage ratios in 2016 to take account of their deposits with the CDC.

The court accepted that these deposits qualify for an exemption because they are "deposits that the institution is legally obliged to transfer to (a) public sector entity...for the purposes of funding general interest investments".

In 2013, before moving to the ECB, Daniele Nouy herself said that French banks would be "strongly impacted" by new liquidity rules due to their exposure to regulated savings accounts, among other reasons.

The ECB is facing a number of lawsuits from banks that disagree with its decisions, including BNP Paribas.