JP Morgan raises oil price outlook, but trims demand-growth forecast

(Reuters) – Investment bank JP Morgan on Friday raised its outlook for oil prices, but lowered its forecast for global crude demand-growth this year amid increasing uncertainty over international trade.

A gauge of global stock markets hovered at a month high while Wall Street traded near a five-month high as investors digested another significant day of corporate earnings.

The dollar index, which measures the greenback against a basket of six currencies, rose 0.18 percent, to 95.113 after rising as high 95.407. The euro was down 0.13 percent to $1.1644.

Demand increased after upbeat comments from Federal Reserve

Chairman Jerome Powell about the U.S. economy in congressional testimony on Tuesday, a message he reiterated on Wednesday before a U.S. House panel.

“Strengthening economic growth and a confident Fed is helping to support the dollar,” said Alan Gayle, president of Via Nova Investment Management LLC in Fredericksburg, Virginia.

“Higher short-term interest rates make the dollar more attractive relative to other currencies.”

On Wall Street, the Dow Jones Industrial Average rose 57.03 points, or 0.23 percent, to 25,176.92, the S&P 500 gained 2.19 points, or 0.08 percent, to 2,811.74 and the Nasdaq Composite dropped 5.72 points, or 0.07 percent, to 7,849.39.

Morgan Stanley shares rose 2.8 percent after the bank’s better-than-expected profit.

The pan-European FTSEurofirst 300 index rose 0.60 percent, as shares of Swiss drugmaker Novartis and Sweden’s Ericsson gained after their reports.

MSCI’s gauge of stocks across the globe gained 0.08 percent, and touched its highest point in a month.

Benchmark U.S. 10-year notes last fell 1/32 in price to yield 2.8637 percent, from 2.862 percent late on Tuesday. The U.S. yield curve remained near its flattest in nearly 11 years.

Oil benchmark Brent crude hit a three-month low after government data showed a rise in U.S. crude inventories and oil production, which highlighted increasing global supply and concerns over weak demand.

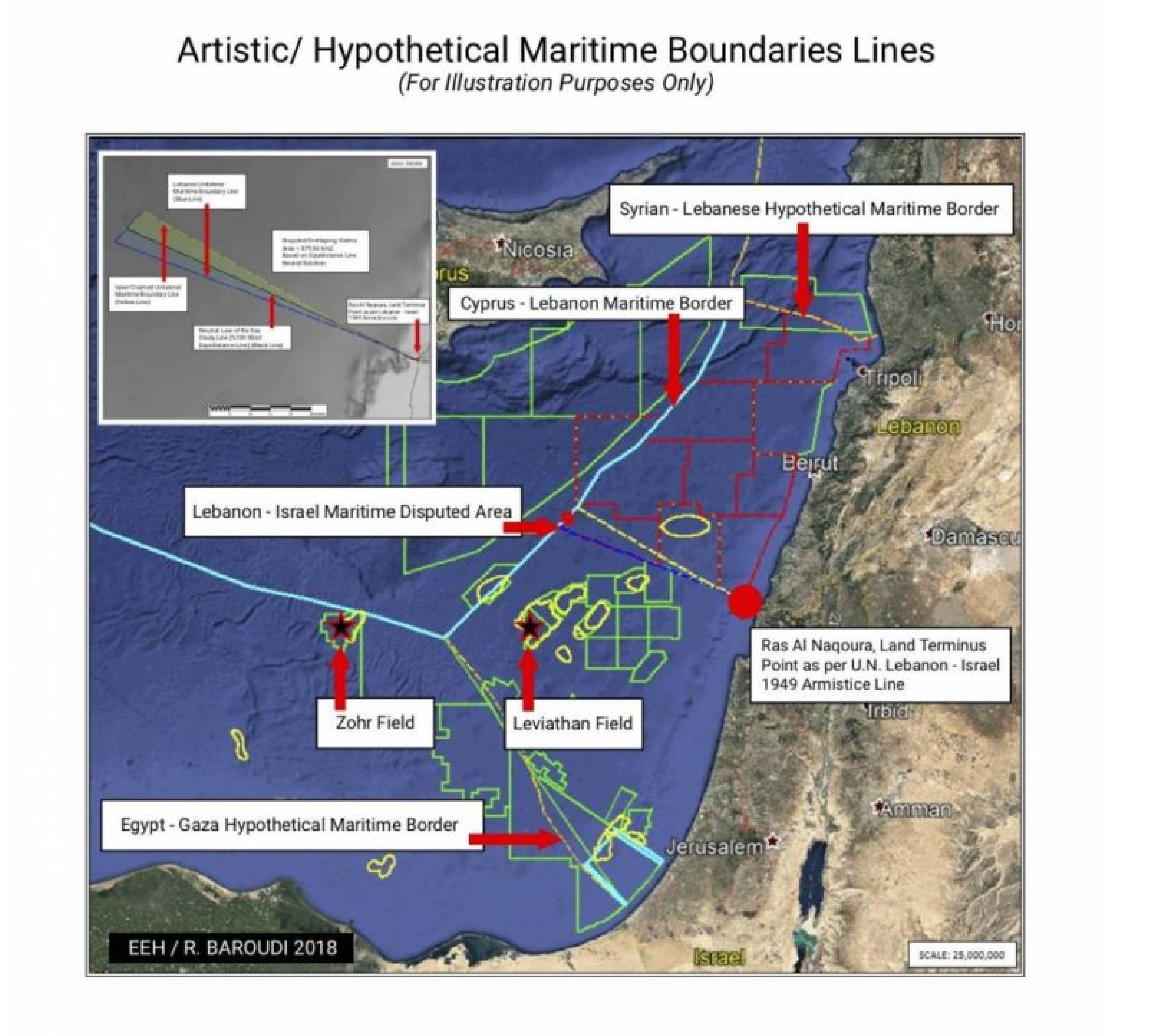
U.S. crude fell 0.29 percent to $67.88 per barrel and Brent was last at $71.89, down 0.37 percent.

Gold, which is regarded as a hedge against inflation, extended its downtrend and sank to its lowest in a year on a buoyant dollar and falling oil prices.

“In this environment where we also see oil prices falling, and so less concern from investors about rising inflation, that’s another negative for the gold price,” said Jens Pedersen, senior analyst at Danske Bank in Copenhagen.

Spot gold was down 0.1 percent at $1,226.23 an ounce.

Lebanon-Israel maritime dispute: Hundreds of billions of reasons to negotiate



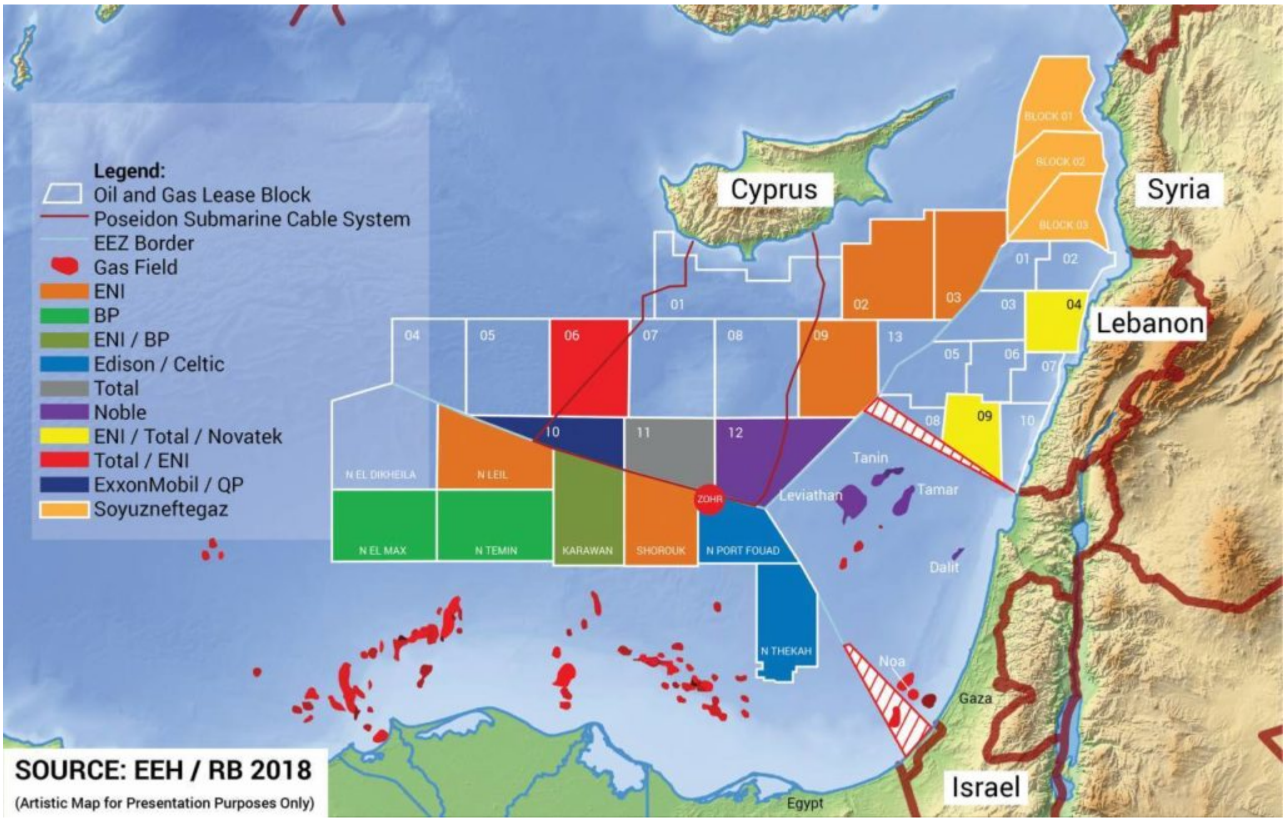
DOHA: For months, Lebanon and Israel have been at a historic crossroads over how to settle their maritime boundary dispute.

Although their competing claims concern a patch of water of less than 900 square kilometers, it is the potential reserves of oil and, especially, natural gas worth billions of dollars that are at the heart of the dispute.

Now both sides acknowledge that US-led efforts to settle the matter diplomatically are still underway. Given the fact that that the two sides do not have diplomatic relations and have been, legally speaking, at war since 1948, resolving this dispute was always going to be a challenge. But it is not impossible. Even if no direct talks can take place between the two countries, both international law, in general, and those associated with the United Nations, in particular, feature institutions, procedures, legal standards, and mechanisms that could help resolve the dispute.

In addition, if attempts to find a solution enjoy the active support and participation of the United States, the UN, and the international community in general, and if the parties are patient, there is a very real chance of success. Significantly, too, as members of the United Nations, both countries have shared obligations under the UN Charter to settle their disputes peacefully and to refrain from the threat or use of force.

Even more crucially, both countries share massive incentives to avoid any kind of action that threatens to upset the development of their respective energy sectors. It is true, as Israeli Energy Minister Yuval Steinitz said recently, that diplomatic negotiations could well delay exploration, delaying Israel's plans to expand its existing production of natural gas. The same applies for Lebanon's efforts to get its own energy sector off the ground. But this is insignificant, in the grand scheme of things, compared to the interruptions in gas exploration that could be expected to result from the outbreak of a shooting war, not to mention the direct and indirect costs – in blood and treasure alike – of such a conflict. All told, the drag on the economic prosperity of both countries would outlast the fighting itself as foreign investors and qualified insurers would be spooked for years.



By contrast, if the parties successfully avoid conflict, both of them stand to reap enormous rewards. For Israel, the resolution of the dispute would free it to further expand an industry which is already supplying valuable fuel for power generation and other domestic needs, as well as exporting gas since commencing sales to Jordan earlier this year, and is now gearing up to implement the deal to provide Egypt with some USD 15 billion worth of gas over the next 10 years. This is because opening up the disputed area to exploration and production is likely to enlarge the size of Israel’s gas reserves and revenues. And more importantly, the real prize of resolving the dispute would be an improved risk environment, which would boost the business and investment environments for all Israeli companies, not just energy ones.

For Lebanon, the potential significance of gas exploration and development starting sooner is even greater since none are yet underway. Almost as soon as production were to begin, the national fuel bill would fall substantially, and the state-run Electricité du Liban (EDL) would be able to run some of its generating plants on gas, for which they were designed, rather than the more polluting, more expensive, and less efficient gas oil they currently use. Shortly thereafter, Lebanon's improved economic prospects – and the reduction in political risks – would lower the cost of credit and make it cheaper to repay its large debt. Eventually, some of the gas produced could even be exported, providing the Lebanese government with new revenues which, if properly managed and invested, could help fight poverty, improve education, infrastructure, and spark a historic socioeconomic rebirth.

For both sides, then, the best way forward is clearly the same: to get rid of the obstacles as quickly and as painlessly as possible, and then get down to business. Since this is a win-win situation, reaching an agreement would be relatively straightforward if we were talking about countries in other parts of the world. We are, however, talking about Lebanon and Israel and the region that surrounds them. And that makes reaching an agreement much more complicated.

This is because some of the obstacles to any sort of Libano-Israeli agreement are effectively insurmountable, at least for the foreseeable future. From this point of view, overcoming the inability to negotiate directly is the easy part as negotiations can be conducted through intermediaries. It will require considerably greater amounts of imagination and dexterity, though, to do so without disturbing the pillars upholding decades of Lebanese foreign policy.

One of these is Beirut's categorical refusal to recognize Israel because the latter was established at the expense of a brotherly people, namely the Palestinians. Even a Lebanese government inclined to bend on this issue, despite massive internal opposition, would never do so unilaterally for risk of being ostracized by the rest of the Arab world. Let's not forget that Egypt was shunned for a decade by its Arab League partners for making a separate peace agreement with Israel. Tiny Lebanon would be even more vulnerable to such treatment. It is, in fact, Beirut’s unambiguous stance on Israel which proves it is bona fide and guarantees it a seat in the club of Arab governments. It is proof that, despite having paid a high price compared to other front-line countries, Lebanon will not buckle in its commitment to support the Palestinians. It will not, cannot, and should not abandon that status for the sake of monetary gain.

In this regard, it is essential to keep in mind that Israel’s foreign policy establishment views the extraction with some degree of acceptance, even if partial and/or informal, as an ever-present objective of any Israeli diplomatic interaction, even if indirect, with any Arab government. In fact, however, there also is a long history of Israeli officials leaking discrete contacts with Arab government officials without mutual consent, thereby embarrassing their interlocutors, erasing any progress achieved and poisoning the well for future dialogue.

Another obstacle to resolving the maritime dispute is that any solution will almost certainly require Cypriot agreement as its Exclusive Economic Zone (EEZ) abuts that of both countries. Cyprus has signed bilateral EEZ agreements with both countries, although Lebanon has never ratified its agreement with Cyprus. Here arises further complication, given that when Beirut and Nicosia signed their EEZ agreement in 2007, the Lebanese side sought to avoid having the document be viewed as de facto recognition of Israel. Accordingly, and in line with international law on maritime delimitation, the agreement did not define the tri-partite maritime border. Instead, it left the final point in the demarcation of the Cyprus/Lebanese border undefined, with the boundary demarcation coordinates starting at the now almost infamous “Point 1”.

Unfortunately, the approach taken produced the opposite effect because, in the Cyprus-Israel EEZ agreement of 2010, Point 1 was used as the starting point in the demarcation of the Cyprus/Israeli EEZ, even though it clearly should not have been. In this way, the buffer zone which the Lebanese/Cyprus EEZ agreement was meant to establish in order to prevent friction with Israel disappeared. An additional discrepancy on land – with Israel pushing its claim slightly north of the actual border – added to the overlap, but the vast majority is caused by Point 1, which lies some 11 nautical miles (18.5 kilometers) north of where the equidistant point (now known as "Point 23") among the three countries would be drawn under the terms of Customary International Law (CIL) as set out in the United Nations Convention on the Law of the Sea (UNCLOS).

By agreeing to Point 1 being the starting point of its maritime boundary delimitation, Cyprus breached the express term in its agreement with Lebanon which required it "to notify and consult" Lebanon in case negotiations aimed at the delimitation of its EEZ with a "third country" concerned the demarcation points agreed with Lebanon. Moreover, by doing so, both Cyprus and Israel breached their obligations under UNCLOS and CIL, respectively, to refrain from actions that might prejudice Lebanon's interests.

Lebanon protested against the terms of the Cyprus-Israel EEZ agreement, officially presenting its claims to the UN and seeking intervention from the Secretary-General and other UN bodies. However, since the Lebanese/Cypriot EEZ agreement never entered into force, arbitration under UNCLOS against Cyprus might be seen as undermining relations with a friendly government, and Israel is not a party to UNCLOS and no third party mechanism has been invoked by Lebanon in respect of this breach.

Commencing conciliation proceedings against Cyprus under UNCLOS seems a more promising route: in this scenario, a conciliation commission would be given twelve months to reach conclusions about the laws and facts of the case, and issue recommendations to help Cyprus and Lebanon agree on a settlement. However, even assuming that the two countries were to accept such findings, the commission would not have the power to determine the tri-partite border and therefore the validity of Israel's claim to Point 1 being the starting point of the demarcation of the boundary of its EEZ with Cyprus and Lebanon. Given the express wording of the EEZ agreement it signed with Lebanon and its obligations under UNCLOS, it is not clear why Cyprus agreed to Point 1 as the starting point of its boundary demarcation with Israel.

However, the existence of these obstacles does not mean that dialogue is impossible, not when both sides stand to gain so much from a peaceful solution and to lose so much if an armed conflict were to break out, or even if the threat thereof were to persist.

In this respect, despite the contentious nature of its scope, the following provisions of the Israel-Cyprus EEZ agreement point to a way for dialogue to commence. First, Article 1 confirms that the Israel-Cyprus agreement is based on the same British Admiralty map referred to in both the unratified Lebanon-Cyprus EEZ agreement and the Cyprus/Egypt EEZ agreement. Second, Article 1(e) expressly acknowledges that the agreement is to be reviewed and modified if necessary to reach a tripartite agreement on EEZ delimitation among Israel, Lebanon, and Cyprus (even though the agreement does not refer to Lebanon by name). Finally, most supportive of Lebanon's claims is the fact that the preamble expressly refers to the provisions of UNCLOS concerning EEZ and the rules and principles of international law of the sea applicable to the EEZ as bases for drawing up the agreement, Article 1(e) refers to CIL principles concerning maritime delimitation and Article 1(b) and Article 1(c) refers to the median line being the basis on which the EEZ was delimited between Israel and Cyprus. These references by Israel to the provisions of UNCLOS regarding EEZ delimitation make it very hard for it to deny that these provisions are principles of customary international law to which it is bound despite not being party to UNCLOS.

As such, from an international law perspective, the basis for the claims made by the two countries are not so far apart and there are mechanisms which have been adopted around the world in similar circumstances which could be invoked to resolve the dispute.

Since neither Lebanon nor Israel has accepted the compulsory jurisdiction of the International Court of Justice (ICJ) in The Hague, they would need to reach a special agreement to refer the maritime boundary dispute to it. And since Israel is not a party to UNCLOS, Lebanon cannot force Israel to resolve the maritime boundary dispute via third-party resolution pursuant to its provisions. At the same time, it is important to keep in mind that since the Mediterranean Sea is regarded as a semi-enclosed sea, pursuant to Part IX of UNCLOS (which is also considered part of CIL and as such binding on Israel), both countries are under an express obligation to cooperate in case of a disagreement.

A negotiated solution is within reach if both parties act in good faith, especially since both the Paulet-Newcombe Agreement of 1923 and the Armistice Agreement of 1949 provide clear border demarcation – and both the Lebanon-Cyprus and the Israel-Cyprus EEZ agreements allow for modification. If an EEZ boundary can be agreed, straddling reserves could be shared under the terms of a unitization agreement. If no agreement on delimitation is possible, the two countries could agree to declare the entire disputed area a joint development zone and enter into a joint development agreement along the lines of those adopted by Nigeria and Sao Tome and Principe, or Australia and East Timor, to develop such a zone. There are many models of such agreements which can be explored to find the best solution for this case.

Finally, it is important to note that Israel's objections to Lebanon having been awarded exploration rights in the "disputed area" are on very thin legal ice. In fact, under UNCLOS and the rules of CIL, Lebanon's only obligations are to cooperate to reach an agreement through a third party with Israel on the exploration and exploitation of straddling gas reserves; and to, in the absence of such an agreement, exercise restraint with respect to the unilateral exploitation of straddling reserves. Importantly, it has these obligations to the extent that a gas field can be exploited from both sides of the disputed border. Moreover, the obligation to exercise restraint does not apply to granting licenses to explore since no irreparable prejudice would be suffered by Israel by such exploration. Since it would seem that only 8 percent of Block 9 falls in the disputed area and that the actual gas field which Eni, NOVATEK, and TOTAL plan to explore falls outside the disputed area, by allowing such exploration to go ahead Lebanon is not breaching international law.

Despite being in a strong legal position, Lebanon has very little to lose – and everything to gain – by being tireless in seeking a negotiated solution, and the same applies to Israel. Going down the route of a joint development agreement would allow them both to agree to proceed with energy development without sacrificing their long-term interests.

The value of the energy in question has been estimated at more than USD 700 billion; that's almost three-quarters of a trillion reasons why a solution needs to be found. All Lebanese should want this because it promises, at the very least, to help alleviate so much of the economic/financial pressure that has been holding the whole country back for more than two decades. No opportunity should be lost to state Lebanon's claim loudly but reasonably, and no effort should be spared to reach an agreement.

Roudi Baroudi is the CEO of Energy and Environment Holding, an independent consultancy based in Doha, and a four decade veteran in the energy industry.

OPEC to Lose Effectiveness if Member-States Don't Respect Quotas – Tehran

MOSCOW (Sputnik) – Iranian Petroleum Minister Bijan Zangeneh sent on Monday a letter to President of the Organization of the Petroleum Exporting Countries (OPEC) Suhail Al Mazrouei to warn the cartel that it would lose its effectiveness if member states did not respect the established quotas on oil production.

“In my view, in case the OPEC Member Countries do not fully adhere to their commitments, the effectiveness of this Organization as the only developing countries’ intergovernmental organization with almost sixty years of history, will be gradually eroded, and the responsibility of this would lay with those Member Countries violating their commitments,” Zangeneh said in his letter, as quoted by the Shana news agency.

According to the minister, failure to meet the agreed quotas may turn into a routine practice. In view of this, Zangeneh called for reporting the extent of each country’s conformity to the agreement to the OPEC Conference.

In June, the OPEC states and other major oil producers fulfilled production cuts stipulated by the Vienna agreement by 124 percent, which was 36 percent lower than in May.

However, Saudi Arabia increased its oil output to 10.42 million barrels per day in June, while the quotas allow it to produce no more than 10.06 million barrels per day.

In November 2016, in Vienna, the world’s major oil producers agreed to reduce oil output by 1.8 million barrels per day from to October of the same year. The deal, aimed at boosting oil prices, was prolonged twice, with the last extension set to last until the end of 2018.

Why oil prices are suddenly tanking

Once red-hot, oil prices are suddenly tanking.

Rumors about emergency action from the Trump administration helped send US crude plunging 5% on Monday, sinking to as low as $67.58 a barrel.

The reversal has wiped out 9% from oil price in less than a week. US oil closed at $74.11 a barrel on July 10.

“It’s a great reminder of how quickly sentiment can swing — and how volatile these markets are,” said Michael Wittner, global head of oil research at Société Générale.

Analysts blamed Monday’s sell-off on reports suggesting Saudi Arabia and the United States are racing to prevent an oil shortage caused by President Donald Trump’s sanctions on Iran.

Late Friday, The Wall Street Journal reported that the Trump administration is considering a rare step: teaming up with other Western countries to simultaneously release oil stockpiled for emergencies. Such a move isn’t imminent and would only come if efforts to get OPEC to pump more fail to cool off prices, the paper reported.

The Energy Department, which released oil from the Strategic Petroleum Reserve last year after Hurricane Harvey, declined to comment on the news. The White House also declined to comment.

Related: The oil market’s shock absorbers are nearly gone

Trump has repeatedly blasted OPEC for lofty oil prices and complained that prices are “too high.” That’s despite the fact that Trump’s own tough stance on Iran, the world’s fifth-largest oil producer, contributed to the price spike.

“Trump is attempting to jawbone the price of crude down. This goes back to the midterm elections,” said Ben Cook, portfolio manager at BP Capital Fund Advisors.

Michael Tran, director of global energy strategy at RBC Capital Markets, doubts that tapping emergency oil stockpiles is necessary or would even work. He noted that refineries in the United States are already operating at “extremely high levels,” leaving little room to turn more oil into gasoline.

“It would be relatively ineffective,” said Tran.

Saudi Arabia-led OPEC and Russia agreed last month to pump more oil, but their move failed to cool off prices. In fact, oil bulls argued that unleashing more oil now will leave Saudi Arabia with little firepower to respond to future shortages.

Related: Trade war threatens America’s booming oil exports

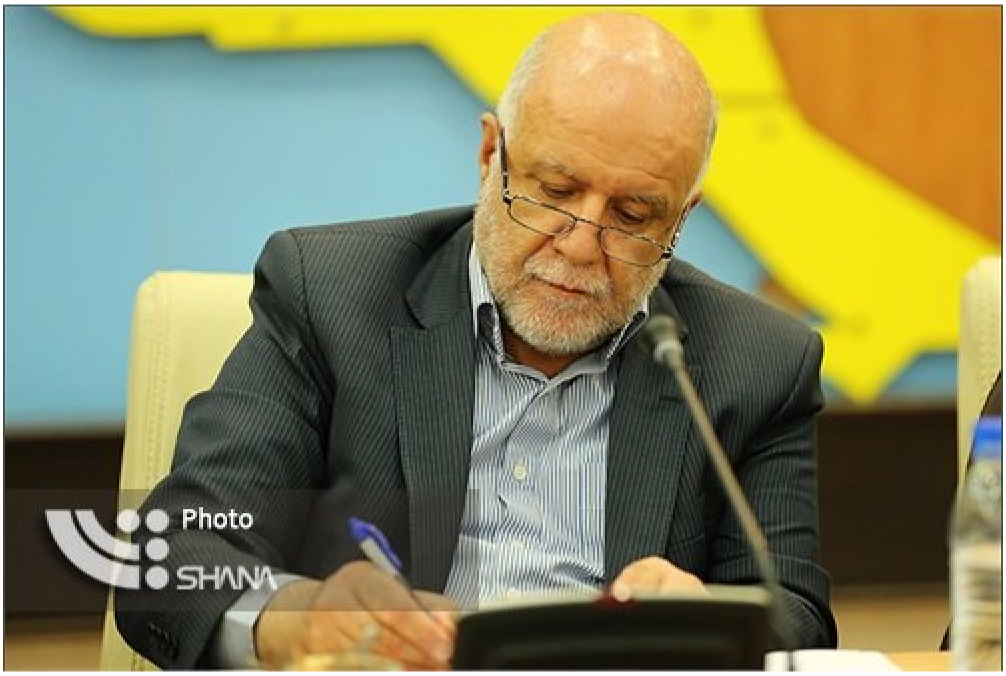
Another factor behind Monday’s drop is a Bloomberg News report that Saudi Arabia is offering extra crude oil on top of its contractual supplies to some buyers in Asia. That suggests that Saudi Arabia is taking aggressive steps to keep oil prices from getting too high.

“They’re letting buyers know: If you want more crude from us, we have it,” said Wittner.

Meanwhile, there are signs that at least one of OPEC’s hobbled members is on the rebound. Last week, oil prices plunged after Libya’s national oil company announced it had regained control of multiple ports, enabling it to resume exports. Disruptions in Libya and Venezuela have been instrumental in lifting prices to their highest levels in nearly four years.

“We’re getting hints here that barrels are available and aren’t in the short supply that we thought,” said BP Capital’s Cook.

Iran warns OPEC, Saudi on violating output-cap agreement



Addressing Al Mazrouei, Zanganeh warned that any violation of

OPEC’s oil production ceiling will hurt the effectiveness of the organization, Shana news agency reported on Monday.
Urging strict adherence to the agreed caps, the Iranian minister noted that some member countries have produced “far above” their original commitment in June and violated the agreement.
Zanganeh further stressed the role of the Joint OPEC-Non-OPEC Ministerial Monitoring Committee (JMMC), saying that JMMC should monitor and report the conformity level of the members.

JMMC can’t interpret OPEC’s decisions

In his letter to Khalid al-Falih, Zanganeh stressed that JMMC doesn’t have the right to interpret the organization’s decision which was made during the 174th meeting.
He further noted that last month’s OPEC supply pact does not give member countries the right to raise oil production above their targets.
“Member countries committed themselves to reach a production adjustment conformity level of 100 percent, as of July 1, 2018,” Zanganeh stated.
“This decision neither warrants member countries the right to exceed their production level above the allocated production level decided, nor the right to redistribute the unfulfilled production adjustment commitments among member countries.”

EF/MA

Fitch Economist Blows Lid off US’ Dependence on Russian Oil

Russia doesn’t view the US as a potential key purchaser of the its oil, while Washington has expressed a keen interest in putting a damper on exorbitant oil prices by pushing OPEC to boost its output, which seems especially relevant ahead of the US midterm elections.

The US purchases approximately 8 billion dollars’ worth of Russian oil, which is about 3 percent of Russia’s total production, Dmitry Marinichenko, head of natural resources and raw materials group at the rating agency Fitch, told Sputnik.

“As of today, the US buys roughly 300,000 barrels of oil from Russia daily, while the amount drastically varies from month to month,” he said, noting that it is currently just “a drop in the bucket,” meeting just about 2-3 percent of US’ need for oil imports and accounting for less than 3 percent of Russia’s overall oil production,” said Marinichenko.

According to the economist, the American market can’t be billed as a priority for Russia, whereas the major destination of Russian oil flow has recently become China.

“So, it’s hardly possible to speak about any new trends with this regard,” he remarked.

On July 16, it emerged that the US is floating the possibility of a dip into its emergency oil reserves if the prospective global oil output is not sufficient to propel prices down, with the suggestion coming in the run-up to the US midterm elections slated for November 6.

Late last month, OPEC and its partners, led by Russia, agreed to ramp up oil productionby about one million barrels per day, or one percent of global supply, with the US exerting pressure on them in a bid to put an end to the high oil prices. OPEC's plan, however, comes amid speculation about the future of the oil market at large, with Iran being squeezed away from it by the US. In June, Washington threatened to slap penalties on countries that fail to curb oil trade with Iran by November 4.

Opec+ oil production boost to reassure market investors: EIU

The 1mn barrels per day production boost by Opec and its allies will help to reassure market investors and prevent a spike in oil prices in the near term, Economist Intelligence Unit (EIU) has said in a report.

This would be equivalent to about 1% of global supply, EIU noted. Nonetheless, EIU said a "number of geopolitical risks remain", including the potential for further output declines from Iran and Venezuela, which will push oil prices gradually higher over the remainder of 2018.

"The fundamental problem facing Opec at its ministerial meeting in Vienna on June 22 was that some of its members do not have the capacity to rapidly increase output even if quota caps are relaxed, given problems related to under- investment and politics," EIU said. "This means that they would suff er revenue hit from lower prices without a counterbalanc- ing increase in volume," EIU said. Venezuela's output in May was just 1.4mn bpd, its lowest in 30 years, as domestic political and economic turmoil has undermined the oil sector.

This, EIU said was down from 2.1mn bpd in October 2016, making the reduction more than seven times greater than its obligation under the Opec deal, which is also described as more than 700% "compliance" with its cut target. Angola, meanwhile, has strug- gled owing to underinvest- ment since the collapse in oil prices in 2015, meaning that it produced just 1.5mn bpd in May, equivalent to a 290% compliance rate. "Despite the diff erences in pro- duction capacity, all members do fundamentally benefit from an environment in which prices are more stable and avoid an- other dramatic crash driven by a shale boom. As a result, they were able to achieve an agree- ment, firstly among the Opec countries and then on June 23 with their non-Opec partners," EIU said.

In November 2016 Opec and major non-Opec exporters, particularly Russia made a decision to cut nearly 1.8mn barrels per day (bpd) from sup- ply. This had a dramatic impact on the oil market, particularly from mid 2017 after compli- ance began to improve, and the deal was twice extended, first until March 2018 and then until December. A pick-up in the global econ- omy, boosting demand, and problems with some produc- ers, notably Venezuela, which saw them producing below their Opec quota, added to the upward pressure on oil prices, which rallied by more than 50%, hitting a four year high of $79/barrel in May, a level which had seemed almost incon- ceivable back in 2016, when prices averaged just $44/b.

"However, the success of the deal in bolstering prices stoked complaints from oil consum- ers – notably the US president, Donald Trump – and added to worries of a repeat of the previous crash, as high prices motivate investment in new capacity outside the exporter bloc, particularly in US shale. “This all led to a growing consensus that the exporters need to release more oil to put a ceiling on prices,” EIU said.

Turk Economy Czar Sees Curbing Infation Top Priority

- Berat Albayrak uses first interview to highlight policy goals
- Erdogan’s son-in-law says Turkish central bank is independent

Treasury and Finance Minister Berat Albayrak pledged to rein in inflation and highlighted central bank independence in his first interview since his appointment, suggesting his policies will focus on Turkey’s key vulnerabilities.

Turkey’s independent central bank will do what economic realities and financial market conditions dictate, state-run Anadolu news agency cited Albayrak as saying on Thursday. The appointment of Albayrak, President Recep Tayyip Erdogan’s son-in-law, on Monday sparked concerns that his policies would mirror the Turkish leader’s growth-at-all-costs approach.

“Our policies will take shape based on the framework of stable and sustainable growth, with priority given to budget discipline, single-digit inflation and structural reforms,” Albayrak was quoted as saying. The fact that the bank’s independence is subject to speculation is “unacceptable,” he added. The lira gained.

Read more on Albayrak: Running Turkey’s Economy Is Now a Family Business for Erdogan

Albayrak’s comments were intended to signal what his policy priorities will be. The lira weakened nearly 7 percent following the announcement of Turkey’s new government on Monday, with investors worried about what the new economic administration would bode for the central bank’s autonomy.

Albayrak said the central bank will be more “active” than ever, and the government will assist it by coordinating fiscal and monetary policies. He vowed to eventually bring inflation to the official 5 percent target.

The lira, which had weakened to a record low of 4.9743 per dollar during Asia trading hours, strengthened after the remarks and was trading 1.3 percent higher at 4.8137 per dollar at 2:18 p.m. in Istanbul.

The minister needs to deliver on his words in order to dispel concerns over the future of monetary-policy making, said BlueBay Asset Management strategist Timothy Ash.

“Finally he speaks, talking the talk,” Ash said by email. But Albayrak “needs to walk the walk by tightening policy in a convincing way.”

Rabobank emerging-market currency strategist Piotr Matys described the remarks as “relatively reassuring.” The bank was maintaining for now its “very cautiously optimistic view” that the new administration may “rebalance the overheated economy and focus on implementing structural reforms over the next two years,” he said in an emailed note.

Time running out for Brexiteers

By Gwynne Dyer/Washington, DC

Even with Donald Trump scheduled for a brief visit to the United Kingdom this week amid massive protests, it's still 'all Brexit, all of the time' in the sceptred isle – and the long struggle over the nature of the deal that will define Britain's relationship with the European Union post-exit allegedly reached a turning point last weekend.

"They had nothing else to offer. They had no Plan B. She faced them down," said a senior government official about the hard-line Brexiteers after Prime Minister Theresa May got them to sign up to a so-called 'soft Brexit' at a crisis cabinet meeting last Friday. But the armistice between the 'Leave' and 'Remain' factions in her fractious Conservative Party lasted less than 48 hours.

On Sunday morning hard-line Brexiteer David Davis, the ludicrously titled Secretary of State for Exiting the European Union, reneged on his short-lived support for May's negotiating goals and resigned in protest. Then Foreign Secretary Boris Johnson followed suit, claiming that May's plan meant "the (Brexit) dream is dying, suffocated by needless self-doubt."

The sheer fecklessness of the 'Brexit dream' is epitomised by Johnson, who first compared May's negotiating plans to "polishing a turd", then came round to supporting them for about 36 hours, and finally resigned, saying that they would reduce the UK to a "vassal state" with the "status of a colony" of the EU. Yet at no point in the discussion did either of them offer a coherent counter-proposal.

And what is all this Sturm und Drang about? A negotiating position, devised by May with great difficulty two years after the referendum that yielded 52% support for an undefined 'Brexit', which could never be accepted by the European Union. Its sole virtue was that it seemed possible to unite the 'Leave' and 'Remain' factions of the Conservative Party behind it. But the unity imposed by May broke down before the weekend was over.

All four of the great offices of state – prime minister, chancellor (finance minister), foreign secretary and home secretary (interior minister) – are now held by Conservative politicians who voted Remain in the referendum. Yet they are unable to persuade their party to accept even a 'soft Brexit' that preserves Britain's existing access to its biggest trading partner, the EU.

The Brexiteers' power lies in their implicit threat to stage a revolt that overthrows May, fatally splits the Conservative Party, and precipitates an early election that brings the Labour Party to power. They may not really have the numbers to do that – it's widely assumed that a majority of the Conservative members of parliament secretly want a very soft Brexit or no Brexit at all – but May dares not test that assumption.

So, horrified by the prospect of a Labour government led by Jeremy Corbyn (who is regularly portrayed by the right-wing media as a Lenin in waiting), the Conservatives are doomed to cling desperately to power even though they can probably never deliver a successful Brexit. And the time is running out.

The United Kingdom will be leaving the European Union on March 29 of next year whether there is a deal that maintains most of its current trade with the EU or not. In practice, the deadline for an agreement is next October, since time must be allowed for 27 other EU members to ratify the deal. If there is no deal, the UK simply 'crashes out', and chaos ensues.

The volume of trade in goods and services between the United Kingdom and the rest of the EU is so great, and the preparation for documenting the safety and origins of goods and collecting customs on them so scanty, that the new border would simply freeze up.

That would cause great difficulty for many European enterprises, but for Britain it would be a catastrophe. As an example, two-fifths of the components for cars built in the UK are sourced from elsewhere in the EU. Yet most of the time available for negotiating a soft Brexit has already been wasted, and Britain still does not have a realistic negotiating position.

This preposterous situation is almost entirely due to the civil war within the Conservative Party between the Brexit faction the rest. The only reason that there was a referendum at all was because former prime minister David Cameron thought that a decisive defeat in a referendum would shut the Brexiteers up and end that war. He miscalculated.

The Brexiteers spun a fantasy of an oppressive EU that was the cause of all Britain's troubles and sold it to the nostalgic older generation, the unemployed and underemployed who were looking for somebody to blame, and sundry nationalists of all colours.

They narrowly won the referendum with the help of a rabidly nationalist right-wing press, spending well beyond the legal limits in the campaign – and, it now appears, with considerable support from Russia. (The biggest contributor to the Brexit campaign, mega-rich investor Arron Banks, met the Russian ambassador at least eleven times during the run-up to the referendum and the subsequent two months.)

There's still a chance that reason will prevail before the UK crashes out of the EU, of course. But the odds are no better than even.

* Gwynne Dyer's new book is Growing Pains: The Future of Democracy (and Work).

Libya's National Oil Corporation to re-open key southern oilfield

Libya's National Oil Corporation (NOC) said yesterday it will re-open a southern oil field and resume production within 48 hours, after announcing a resumption of exports in the eastern oil crescent. The NOC announced “the lifting of force majeure” at the Al-Fil field, in place since February 23, in a statement on its website.

Production would resume at an initial rate of “50,000 bpd (barrels per day) within two days and (rise) to 72,000 bpd three days later”, the NOC added. Production stopped at Al-Fil due to a strike by the local branch of the Petroleum Facilities Guard, which demanded higher salaries.

The NOC said “the dispute regard- ing pay and benefits was brought to an end” at the field. Al-Fil is in the Marzuq basin in the southwest of the country and is managed by Mellitah Oil and Gas, a joint venture between NOC and Italian firm Eni. Separately, the NOC on Wednesday said it was resuming exports from terminals in eastern Libya’s oil crescent after ship- ments were stopped for more than two weeks due to a standoff between rival political administrations. Exports from all four of the eastern ports had been suspended after military strong- man Khalifa Haftar’s self-styled Libyan National Army regained full control of the region from a rival militia in June.

Haftar refuses to recognise the author- ity of a UN-backed government based in Tripoli and supports a parallel administra- tion in eastern Libya. Libya’s oil output will keep dropping day by day if major ports remain closed, the head of the NOC had said last week, a Bloomberg report said last week. “Today, production is 527,000 barrels a day, tomorrow it will be lower, and after tomorrow it will be even lower and every- day it will keep falling,” Mustafa Sanalla, chairman of the NOC said in a video state- ment posted on the company’s Facebook page. The nation was producing more than twice that amount before fighting in February forced an oil field in western Libya to shut down, he said. Haftar’s forces had given control of the ports to a separate oil authority in the eastern city of Benghazi, after recaptur- ing them from a rival militia.

The US, the UK, France and Italy expressed concern about this transfer to an entity other than the NOC. The surprise handover led to a halt in shipments from the ports of some 850,000 barrels a day. Libya’s instability in complicating Opec’s eff ort to pump more crude as well as UN-backed eff orts to hold elections this year. Haftar’s forces said their army was not receiving payments for protecting oil facilities.

Sanalla said in the video statement that crude revenue is sent to the central bank and that the NOC isn’t responsible for how it gets distributed. “I understand Haftar’s feeling,” Sanalla said. “He must be frustrated like most Libyans, but do we express this disap- pointment by halting exports? I don’t think this is right. We all agree that the situation is not right, that national wealth is not utilised to its best.”

While Libya holds Africa’s largest oil reserves, years of conflict among armed groups competing for influence over its energy riches have hobbled production and exports since a 2011 revolt led to the ouster and death of former strongman Muammar al-Gaddafi. The economy’s de- cay economy has stoked anger in eastern Libya over a perceived misuse of funds and a view that that too much wealth is concentrated in the west. Libya was pumping about 1.3mn barrels of crude a day in February before militias closed the western 80,000-barrels-a-day Elephant, or El-Feel, field in February, Sanalla said on Saturday.

Output will con- tinue to decline if the five ports recaptured by Haftar stay closed, he said. Oil facilities in the Gulf of Sirte along the central coast are old and in poor condition, and only four of 13 storage tanks at the port of Ras Lanuf are currently operational, he said.