

Italy PM calls for a fairer Europe



Reuters/Strasbourg

Italian Prime Minister Giuseppe Conte has called for a less austere European Union more in tune with popular demands for economic growth, but he faced a barrage of criticism after his keynote speech in the EU legislature.

Speaking to the European Parliament in Strasbourg as part of a series of contributions by national leaders to a debate on the future of the Union, Conte stressed the continued commitment of Rome's populist government to EU integration – a commitment some doubted after the coalition's election last year.

However, in renewing Italian calls for more flexibility in eurozone budget rules, common debt instruments for the EU currency area, an EU unemployment fund and a change in rules intended to avoid new bank collapses, he said that years of austerity had driven a wedge between elites and people that endangered the Union.

“The powerful opposition that the European people, in its various forms, is demonstrating in the face of the elites

speaks to our consciences and reminds us that politics, too assertive on economic rationales, has not done its homework and has given up on its mission," Conte told the assembled lawmakers.

Insisting that his administration is keeping its "accounts in order", Conte said it is also seeking to stimulate growth.

He called for the EU to end long arguments over how to handle migrants arriving by sea across the Mediterranean – a longstanding Italian complaint – and to play a stronger, more united role in global affairs while maintaining dialogue with other powers such as the United States, Russia and China.

However, leaders of mainstream political groups, whose Italian allies found themselves excluded from power in Rome by the rise of the populist League and 5-Star Movement (M5S) coalition, lined up to criticise Conte's government.

They objected to Rome's straying from eurozone budget rules, passing measures against asylum-seekers, or siding with Russia to thwart EU support for the opposition in Venezuela.

The sharp exchanges with a prime minister who, as an academic and political novice, is seen as the moderate face of a government dominated by radical voices, illustrated themes that will be aired in elections to the EU assembly this coming May.

While Conte himself rejected charges from the floor that he was a mere "puppet" of the League and M5S, his far-right Interior Minister Matteo Salvini, leader of the League, also leapt to his defence.

He called it "shameful" that "European bureaucrats" had "insulted" not just the premier but all Italy.

"The European elites (are) against the choices of the peoples," Salvini said in a statement. "Prepare the crates. On May 26, the people will finally send these folks packing."

After weeks of tension with France after senior figures in his government hailed protesters opposed to President Emmanuel Macron, Conte offered a veiled rebuff to French complaints, which culminated in recalling the French envoy from Rome.

"We should not be afraid of conflict. We should show that we

can control it," Conte said. "We should not oppose change with sterile and damaging conservatism. Instead, we should allow conflict to emerge, to demonstrate – in democratic forms – its propulsive force."

On a day when Rome also irritated Paris by questioning the need for a new Alpine rail link, Conte appeared to tweak French interests by calling for a combined EU permanent seat on the UN Security Council.

Barring soon-to-be ex-EU member Britain, France is the bloc's lone voice on the global body.

Over nearly three hours of debate, tempers flared at times.

Anti-EU members spoke in Conte's defence and the chamber's speaker had to ask his fellow Italians to mind their language.

Manfred Weber, German leader of the main conservative bloc in the European Parliament, accused Conte of running an economic policy based on high borrowing and slow growth.

Socialist leader Udo Bullmann accused Rome of showing "the ugly face of inhumanity" toward-asylum seekers landing on Italy's shores.

Speaking Italian, former Belgian prime minister Guy Verhofstadt, the liberal leader, said that his "love for Italy", a founding member of the EU, made it "painful" for him to see what he called the country's "political disintegration" that began with the administrations of conservative Silvio Berlusconi.

**Natural gas plays major role
in energy transition:**

Qatargas CEO



***Sheikh Khalid encouraged Indian government to create conducive environment for increased use of the clean fossil fuel**

Qatargas CEO Sheikh Khalid bin Khalifa al-Thani has underscored the significance of liquefied natural gas (LNG) as a “destination fuel” in the future of energy, playing a major role in the ‘energy transition’ the world is embarking on.

The Qatargas CEO was speaking at a ‘CEO Conclave’ titled ‘Shaping the New Energy World’ held as part of the 13th International Oil & Gas Conference and Exhibition-Petrotech 2019, organised by the Indian Ministry of Petroleum and Natural Gas in New Delhi from February 10 to 12 .

Sheikh Khalid said, “Natural gas remains the fastest growing fossil fuel globally, benefiting from its flexibility, competitive economics, and low emissions profile. Thus, natural gas is called to play a major role in the energy transition, supported by the industrialisation and power demand particularly in emerging countries in Asia and Africa,

and the continued 'coal to gas' switch, especially in India and China."

He noted that the energy demand would continue to grow driven by emerging economies and the projected growth in global population, which will touch 9bn by 2040.

LNG demand is expected to increase at an average 4% annually to reach more than 600mn tonnes in 2035 versus 290mn tonnes in 2017.

In view of this, more LNG projects are required to cover the existing and projected demand for clean fuels.

He reiterated Qatar's contribution to this increase of LNG supply through the addition of another 33mn tonnes per year (tpy) to its existing capacity of 77mn tpy to take the country's overall production capacity to 110mn tpy by next decade.

Thanks to its low carbon emission profile, natural gas is the ideal complement to renewables, he noted.

In countries like India where coal plays a major role (60% of energy for power), natural gas is a good substitute for oil, ensuring cleaner air and thus improving the standard of living, Sheikh Khalid said.

The CEO encouraged the Indian government to create a conducive environment for the increased use of this clean fossil fuel through a "top down" push for an enhancement of gas distribution infrastructure as well as reform of the applicable regulation and taxation.

During the conference, the Qatargas delegation led by Sheikh Khalid met with a number of key Indian stakeholders.

The company also showcased various projects and key milestones in the exhibition, which was held in parallel to the conference.

Qatargas has a strong, established partnership with India, supplying LNG since January 2004 and delivering more than 1,500 cargoes to date.

How Greece's PM hopes to solve his election riddle



Reuters /Athens

Prime Minister Alexis Tsipras has been implementing his re-election strategy to the letter over the past six months, steering Greece out of a humiliating bailout and resolving a decades-old dispute with neighbouring Macedonia.

So far, it isn't paying off.

With a general election no more than eight months away, his Syriza party is far behind in opinion polls.

That is despite two signature projects since last summer, evidence that the economy is climbing out of years of depression and willingness at last among investors to lend.

Tsipras was elected as a firebrand leftist in 2015 on a promise to reject the austerity required in the bailout.

He later caved in to the lenders' demands and has reinvented himself as a conformist.

Now, after years of austerity many ordinary voters cannot afford to keep the lights on, others are deeply indebted, and almost one in five Greeks is unemployed.

"Our debt is huge and it's still growing, unemployment is still very high," said 30-year-old Athens resident Panagiotis, an environmentalist who works in the private sector.

"The crisis isn't over. That's a lie, we are not fools."

Sources close to the prime minister say his strategy is only now reaching the point where his government can deliver on its pre-election promises and make amends for bailout pain – a plan he says aims at "fair growth". Creditors released Greece from its third bailout in August, putting it back on the path to full financial independence.

Tsipras has since used greater fiscal freedom to scrap further pension cuts, cut property and corporate taxes and ease some social security contributions.

He raised the minimum wage for the first time in a decade, by 11%. He also wants to extend a reduced value-added tax regime for five islands with huge migrant arrivals in past years, and to make it easier for people to pay off pension-fund arrears and bank loans, government officials said.

Tsipras aims to hire thousands of public-sector workers by 2020 as well as making constitutional reforms to separate the Greek Orthodox Church clearly from the state, important to left-wing voters.

Moves are also under way to extend Greece's western maritime boundaries to 12 miles offshore from six, two officials said.

This could smooth some nationalist feathers ruffled over Macedonia and enable the creation of exclusive economic zones surrounding Greece, Albania and Italy.

The latest poll by Metron Analysis, for To Vima newspaper, puts Syriza 12 points behind the conservative New Democracy, whose leader Kyriakos Mitsotakis promises to ease tax and

social contributions for businesses and boost investment.

The government aims to shrink that gap before European Parliament elections in May, Tsipras' first official popularity test since winning power.

Analysts say he may opt for a snap vote if the gap keeps widening, though he has repeatedly ruled that out.

His term expires in October.

"We want to showcase that Greece has returned to normality," one of the government officials said. "The aim is to shrink the gap in the EU election to be able to win a national vote later in the year."

His government has a razor-thin majority in parliament, beating a censure motion last month by a single vote with support from independent lawmakers, after his right-wing coalition ally resigned over the Macedonia name accord.

The neighbouring ex-Yugoslav state agreed to rename itself North Macedonia to ease Greek fears that the old name implied a sovereignty claim over its northern province of Macedonia.

The deal proved unpopular for Tsipras at home, where tens of thousands of protesters condemned his decision to sanction the continued use of the word Macedonia.

However, the deal appears to have won him respect from the European Union, Greece's major bailout creditor.

It opens the way for the EU to start accession talks with the Balkan state and continue the bloc's expansion eastward.

The question now is whether Tsipras has built up enough goodwill with EU partners to further loosen the purse strings to win over voters.

Despite the end of the bailout, Athens has agreed to meet specific surplus targets, tied to potential debt relief.

Its lenders are also monitoring its progress to decide whether to disburse millions of euros in bond profits.

Eurozone officials note that although Greece is expected to exceed its fiscal targets this year its reform progress is low.

Tsipras' cabinet applauded him when he announced the minimum wage raise last week, but a meeting of eurozone deputy finance

ministers gave it a cooler reaction a few days later.

“The atmosphere was not very positive,” said a eurozone official.

“Greece is moving back in many areas. The general political feeling is of course positive about Tsipras and what he did about Macedonia, but this is not the markets, you cannot trade one thing for the other.”

One eurozone official said a late February progress report on Greek reforms “did not look good”. A negative EU report could unnerve markets – destabilising another plank of Tsipras’ re-election strategy: the need for calm financial markets.

Greece successfully tapped bond markets with a five-year bond last week, its first issue post-bailout, and plans more bond issues this year.

“There is a fine line that Greece needs to make sure it doesn’t cross,” said associate director at IHS Markit Economics Diego Iscaro. “Markets understand it’s a pre-election period but Athens needs to build a post-bailout reputation of reforms.”

**Europe, please wake up before
it is too late**



By George Soros /Munich

Europe is sleepwalking into oblivion, and the people of Europe need to wake up before it is too late. If they don't, the European Union will go the way of the Soviet Union in 1991. Neither our leaders nor ordinary citizens seem to understand that we are experiencing a revolutionary moment, that the range of possibilities is very broad, and that the eventual outcome is thus highly uncertain.

Most of us assume that the future will more or less resemble the present, but this is not necessarily so. In a long and eventful life, I have witnessed many periods of what I call radical disequilibrium. We are living in such a period today. The next inflection point will be the elections for the European Parliament in May 2019. Unfortunately, anti-European forces will enjoy a competitive advantage in the balloting. There are several reasons for this, including the outdated party system that prevails in most European countries, the practical impossibility of treaty change, and the lack of legal tools for disciplining member states that violate the principles on which the European Union was founded. The EU can impose the *acquis communautaire* (the body of European Union law) on applicant countries, but lacks sufficient capacity to

enforce member states' compliance.

The antiquated party system hampers those who want to preserve the values on which the EU was founded, but helps those who want to replace those values with something radically different. This is true in individual countries and even more so in trans-European alliances.

The party system of individual states reflects the divisions that mattered in the nineteenth and twentieth centuries, such as the conflict between capital and labour. But the cleavage that matters most today is between pro- and anti-European forces.

The EU's dominant country is Germany, and the dominant political alliance in Germany – between the Christian Democratic Union (CDU) and the Bavaria-based Christian Social Union (CSU) – has become unsustainable. The alliance worked as long as there was no significant party in Bavaria to the right of the CSU. That changed with the rise of the extremist Alternative für Deutschland (AfD). In last September's lander elections, the CSU's result was its worst in over six decades, and the AfD entered the Bavarian Parliament for the first time.

The AfD's rise removed the *raison d'être* of the CDU-CSU alliance. But that alliance cannot be broken up without triggering new elections that neither Germany nor Europe can afford. As it is, the current ruling coalition cannot be as robustly pro-European as it would be without the AfD threatening its right flank.

The situation is far from hopeless. The German Greens have emerged as the only consistently pro-European party in the country, and they continue rising in opinion polls, whereas the AfD seems to have reached its highpoint (except in the former East Germany). But now CDU/CSU voters are represented by a party whose commitment to European values is ambivalent.

In the United Kingdom, too, an antiquated party structure prevents the popular will from finding proper expression. Both Labour and the Conservatives are internally divided, but their leaders, Jeremy Corbyn and Theresa May, respectively, are so

determined to deliver Brexit that they have agreed to cooperate to attain it. The situation is so complicated that most Britons just want to get it over with, although it will be the defining event for the country for decades to come.

But the collusion between Corbyn and May has aroused opposition in both parties, which in the case of Labour is bordering on rebellion. The day after Corbyn and May met, May announced a programme to aid impoverished pro-Brexit Labour constituencies in the north of England. Corbyn is now accused of betraying the pledge he made at Labour's September 2018 party conference to back a second Brexit referendum if holding an election is not possible.

The public is also becoming aware of the dire consequences of Brexit. The chances that May's deal will be rejected on February 14 are growing by the day. That could set in motion a groundswell of support for a referendum or, even better, for revoking Britain's Article 50 notification.

Italy finds itself in a similar predicament. The EU made a fatal mistake in 2017 by strictly enforcing the Dublin Agreement, which unfairly burdens countries like Italy where migrants first enter the EU. This drove Italy's predominantly pro-European and pro-immigration electorate into the arms of the anti-European League party and Five Star Movement in 2018. The previously dominant Democratic Party is in disarray. As a result, the significant portion of the electorate that remains pro-European has no party to vote for. There is, however, an attempt underway to organise a united pro-European list. A similar reordering of party systems is happening in France, Poland, Sweden, and probably elsewhere.

When it comes to trans-European alliances, the situation is even worse. National parties at least have some roots in the past, but the trans-European alliances are entirely dictated by party leaders' self-interest. The European People's Party (EPP) is the worst offender. The EPP is almost entirely devoid of principles, as demonstrated by its willingness to permit the continued membership of Hungarian Prime Minister Viktor Orbán's Fidesz in order to preserve its majority and control

the allocation of top jobs in the EU. Anti-European forces may look good in comparison: at least they have some principles, even if they are odious.

It is difficult to see how the pro-European parties can emerge victorious from the election in May unless they put Europe's interests ahead of their own. One can still make a case for preserving the EU in order radically to reinvent it. But that would require a change of heart in the EU. The current leadership is reminiscent of the politburo when the Soviet Union collapsed – continuing to issue ukases as if they were still relevant.

The first step to defending Europe from its enemies, both internal and external, is to recognise the magnitude of the threat they present. The second is to awaken the sleeping pro-European majority and mobilise it to defend the values on which the EU was founded. Otherwise, the dream of a united Europe could become the nightmare of the twenty-first century.
– Project Syndicate

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A mixed economic bag in 2019



By Nouriel Roubini /New York

After the synchronised global economic expansion of 2017 came the asynchronous growth of 2018, when most countries other than the United States started to experience slowdowns. Worries about US inflation, the US Federal Reserve's policy trajectory, ongoing trade wars, Italian budget and debt woes, China's slowdown, and emerging-market fragilities led to a sharp fall in global equity markets toward the end of the year.

The good news at the start of 2019 is that the risk of an outright global recession is low. The bad news is that we are heading into a year of synchronised global deceleration; growth will fall toward – and, in some cases, below – potential in most regions.

To be sure, the year started with a rally in risky assets (US and global equities) after the bloodbath of the last quarter of 2018, when worries about Fed interest-rate hikes and about Chinese and US growth tanked many markets. Since then, the Fed has pivoted towards renewed dovishness, the US has maintained solid growth, and China's macroeconomic easing has shown some promise of containing the slowdown there.

Whether these relatively positive conditions last will depend

on many factors. The first thing to consider is the Fed Markets are now pricing in the Fed's monetary-policy pause for the entire year, but the US labour market remains robust. Were wages to accelerate and produce even moderate inflation above 2%, fears of at least two more rate hikes this year would return, possibly shocking markets and leading to a tightening of financial conditions. That, in turn, will revive concerns about US growth.

Second, as the slowdown in China continues, the government's current mix of modest monetary, credit, and fiscal stimulus could prove inadequate, given the lack of private-sector confidence and high levels of overcapacity and leverage. If worries about a Chinese slowdown resurface, markets could be severely affected. On the other hand, a stabilisation of growth would duly renew market confidence.

A related factor is trade. While an escalation of the Sino-American conflict would hamper global growth, a continuation of the current truce via a deal on trade would reassure markets, even as the two countries' geopolitical and technology rivalry continues to build over time.

Fourth, the eurozone is slowing down, and it remains to be seen whether it is heading toward lower potential growth or something worse. The outcome will be determined both by national-level variables – such as political developments in France, Italy, and Germany – and broader regional and global factors.

Obviously, a “hard” Brexit would negatively affect business and investor confidence in the United Kingdom and the European Union alike. US President Donald Trump extending his trade war to the European automotive sector would severely undercut growth across the EU, not just in Germany. Finally, much will depend on how Euroskeptic parties fare in the European Parliament elections this May. And that, in turn, will add to the uncertainties surrounding European Central Bank President Mario Draghi's successor and the future of eurozone monetary policy.

Fifth, America's dysfunctional domestic politics could add to

uncertainties globally. The recent government shutdown suggests that every upcoming negotiation over the budget and the debt ceiling will turn into a partisan war of attrition. An expected report from the special counsel, Robert Mueller, may or may not lead to impeachment proceedings against Trump. And by the end of the year, the fiscal stimulus from the Republican tax cuts will become a fiscal drag, possibly weakening growth.

Sixth, equity markets in the US and elsewhere are still overvalued, even after the recent correction. As wage costs rise, weaker US earnings and profit margins in the coming months could be an unwelcome surprise. With highly indebted firms facing the possibility of rising short- and long-term borrowing costs, and with many tech stocks in need of further corrections, the danger of another risk-off episode and market correction can't be ruled out.

Seventh, oil prices may be driven down by a coming supply glut, owing to shale production in the US, a potential regime change in Venezuela (leading to expectations of greater production over time), and failures by OPEC countries to cooperate with one another to constrain output. While low oil prices are good for consumers, they tend to weaken US stocks and markets in oil-exporting economies, raising concerns about corporate defaults in the energy and related sectors (as happened in early 2016).

Finally, the outlook for many emerging-market economies will depend on the aforementioned global uncertainties. The chief risks include slowdowns in the US or China, higher US inflation and a subsequent tightening by the Fed, trade wars, a stronger dollar, and falling oil and commodity prices.

Though there is a cloud over the global economy, the silver lining is that it has made the major central banks more dovish, starting with the Fed and the People's Bank of China, and quickly followed by the European Central Bank, the Bank of England, the Bank of Japan, and others. Still, the fact that most central banks are in a highly accommodative position means that there is little room for additional monetary

easing. And even if fiscal policy wasn't constrained in most regions of the world, stimulus tends to come only after a growth stall is already underway, and usually with a significant lag.

There may be enough positive factors to make this a relatively decent, if mediocre, year for the global economy. But if some of the negative scenarios outlined above materialise, the synchronised slowdown of 2019 could lead to a global growth stall and sharp market downturn in 2020. – Project Syndicate

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Energy bills set to rise as regulator ups cap



LONDON (Reuters) – Energy bills are set to rise for millions of households in Britain after the country’s energy regulator gave the green light to suppliers to increase bills by more than 10 percent from April 1.

Ofgem was tasked by parliament last year to set a limit after lawmakers said customers were being overcharged for electricity and gas. Prime Minister Theresa May had called the tariffs a “rip-off”.

Ofgem, which reviews the price cap every six months, said it needed to allow suppliers to charge more as wholesale energy contracts, used to help formulate the cap level, were 17 percent higher than during the last cap period.

“No consumer wants to see a price rise but these (increases) are justified,” Ofgem chief executive Dermot Nolan said on a call with journalists.

The cap for average annual consumption on the most commonly used tariffs used by around 11 million households will rise by 10.3 percent – or 117 pounds (\$151) – to 1,254 pounds.

Britain’s headline inflation rate increased at an annual rate of 2.1 percent in December, while average weekly earnings were up 3.4 percent year-on-year in the three months to the end of November.

Ofgem calculates the cap using a formula that includes wholesale gas prices, energy suppliers network costs and costs of government policies, such as renewable power subsidies.

Several of Britain’s biggest suppliers, a group known as the “Big Six,” complained the cap was initially set too low.

Innogy’s npower said the cap was partly why it announced plans to shed 900 jobs last week.

Most are expected to increase prices once it is raised.

Britain's energy and clean growth minister Claire Perry said people are still expected to be around 75-100 pounds a year better off than they would be without the cap.

"With over 60 companies and more than 200 tariffs to choose from, consumers can always shop around for a cheaper deal and make big savings by switching," Perry said.

Several smaller, independent energy suppliers such as Bulb and Octopus Energy have said they will not increase prices following the cap rise as their innovative technology allows them to keep prices lower.

"Today's announcement just reinforces the massive gap between these dinosaur companies and modern retailers," said Octopus Energy CEO Greg Jackson.

Britain's big six energy suppliers are Centrica's British Gas, SSE, Iberdrola's Scottish Power, Innogy's npower, E.ON and EDF Energy.

emocrats unveil clean energy initiative



Reuters/ Washington

Rising Democratic star Representative Alexandria Ocasio-Cortez and Democratic Senator Ed Markey have laid out the objectives of a Green New Deal to achieve net-zero greenhouse gas emissions in 10 years, setting a high bar for Democrats who plan to make climate change a central issue in the 2020 presidential race.

The resolution is the first formal attempt by lawmakers to define the scale of legislation to create large-scale government-led investments in clean energy and infrastructure to transform the US economy.

“The Green New Deal fully tackles the existential threat posed by climate change by presenting a comprehensive, 10-year plan that is as big as the problem it hopes to solve while creating a new era of shared prosperity,” according to a summary of the resolution released by the lawmakers yesterday.

Ocasio-Cortez has said that she will immediately begin to work on legislation that would “fully flesh out the projects involved in the Green New Deal”.

Republicans have already criticised the initiative, waving off any kind of proposal as heavy-handed.

The Trump administration does not believe action on climate

change is necessary and is focused on increasing production of oil, gas and coal on federal and private land.

Doug Lamborn, a Republican from Colorado, said at a climate change hearing in the House natural resources committee on Wednesday that the policy was akin to a "Soviet five-year plan".

The non-binding resolution outlines several goals for the United States to meet in 10 years, including meeting 100% of power demand from zero-emissions energy sources.

It also calls for new projects to modernise US transportation infrastructure, de-carbonise the manufacturing and agricultural sectors, make buildings and homes more energy efficient, and increase land preservation.

The Green New Deal also aims to create an economic safety net for "frontline" communities that will be affected by a radical shift away from fossil fuel use.

"We ... need to be sure that workers currently employed in fossil fuel industries have higher wages and better jobs available to them to be able to make this transition, and a federal jobs guarantee ensures that no worker is left behind," according to a summary of the plan.

The Green New Deal was put into the media spotlight by a youth coalition called the Sunrise Movement and Ocasio-Cortez, 29, the youngest woman to serve in Congress.

Markey, a veteran lawmaker from Massachusetts, introduced sweeping climate change legislation a decade ago, which passed in the House but stopped short in the Senate.

At least a half dozen Democratic 2020 presidential hopefuls have said they would adopt Green New Deal policies, without offering specifics.

EU adopts French-German compromise on Russia gas pipeline



European Union member states adopted a Franco-German compromise yesterday allowing Berlin to remain the lead negotiator with Russia on the Nord Stream 2 gas pipeline to Europe. France, a pivotal player in the EU gas talks, had said earlier it would support European Union oversight of new offshore energy pipelines. This had raised concerns in Berlin that resistance from other EU members could undermine plans for the undersea pipeline between Russia and Germany. But Paris and Berlin now agree that chief responsibility lies with Germany, the “territory and territorial sea of the member state where the first interconnection point is located,” according to a text seen by AFP. The pipeline is due to emerge at the German Baltic port of Greifswald, from where gas will be distributed to other EU countries.

"There was indeed an agreement which was only possible thanks to close cooperation between France and Germany," German Chancellor Angela Merkel told reporters in Berlin when asked about Nord Stream 2. The compromise text replaces older wording stipulating the EU rules on gas imports will be applied by "the territory of the member states" and or the "territorial sea of the member states". The new text was adopted as part of reforms for gas market rules at a meeting of EU ambassadors in Brussels. "The French- German compromise was adopted pretty much unanimously," one diplomat told AFP. Romania, current holder of the rotating EU presidency, said it "was given the mandate... to enter negotiations with the European Parliament on the amendment of the EU gas directive." France's earlier support for giving EU countries more say in the pipeline project appeared likely to shift the balance away from Germany. Nord Stream 2 faces opposition from many countries in eastern and central Europe, the United States and particularly Ukraine because it risks increasing Europe's dependence on Russian natural gas. Combined with the planned TurkStream pipeline across the Black Sea, Nord Stream 2 would mean Russia could bypass Ukraine in providing gas to Europe, robbing Moscow's new foe of transit fees and a major strategic asset. An EU diplomat said US officials lobbied their European counterparts until just before the start yesterday's meeting in a bid to block the gas pipeline. "Washington has put enormous pressure on EU capitals in recent days to prevent Nord Stream 2," the diplomat said on condition of anonymity. "The fact that the gas directive was then almost passed by consensus is also due to the growing displeasure among the EU states over the attempted US influence." Kremlin spokesman Dmitry Peskov said in Moscow that Washington was spearheading efforts to undermine fair competition. "This international project is necessary for Russia and the EU, but it is constantly attacked by third countries, more specifically by the United States," Peskov said.

Peskov accused Washington of "underhanded competition" by

trying to encourage Europeans “to buy more expensive American gas”. Russia will “follow developments very closely”, Peskov said, adding “we hope that the EU member countries will know how to settle this issue themselves”. French President Emmanuel Macron’s office said the compromise puts Nord Stream under “European oversight”. “It will challenge a certain number of project parameters which will have to provide transit guarantees via Ukraine as well as transit through Slovakia,” an official said. The draft compromise sought to tackle concerns over Ukraine saying: “We consider a (gas rules) directive in this spirit indispensable for a fruitful discussion on the future gas transit through Ukraine.” Merkel has so far insisted that the pipeline is a “purely economic project” that will ensure cheaper, more reliable gas supplies. She has said there will be no dependence on Russia if Europe diversifies at the same time. Construction has already begun, involving companies such as Germany’s Wintershall and Uniper, Dutch-British Shell, France’s Engie and Austria’s OMV. Gas is due to start arriving in Germany by the end of the year.

Total’s profit jumps on record production



French energy major Total said its net adjusted profit rose 10% in the final quarter of 2018, lifting its full year earnings by more than a quarter after record oil and gas production.

Total said yesterday that output reached an all-time high of 2.8mn barrels of oil equivalent per day in 2018 thanks to the start-ups of various operations and increased production in Australia, Angola, Nigeria and Russia.

It reported a 28% rise in full-year profit to \$13.6bn, following on from strong results from other oil majors.

Total also announced yesterday a major, new discovery off the coast of South Africa.

Total said its results would enable it to continue its shareholders' return policy announced last year.

After increasing dividends by 3.2% in 2018, it plans a 3.1% rise in 2019.

It will also buy back \$1.5bn of its shares in 2019 after buying back the same amount last year.

Total added it would eliminate its scrip dividend scheme from June 2019.

T-Mobile US

T-Mobile US Inc yesterday reported quarterly revenue and

profit that beat Wall Street estimates, as the wireless carrier added more customers than expected after expanding its network, particularly in US rural markets.

T-Mobile said it added a net of about 1mn so-called postpaid phone subscribers in the fourth quarter compared with 891,000 additions a year earlier.

The company's net income fell to \$640mn, or 75 cents a share, in the fourth quarter, from \$2.71bn, or \$3.11 a share, a year earlier, when it recorded a big one-time tax related gain.

Revenue rose to \$11.45bn from \$10.76bn.

Analysts were expecting revenue of \$11.39bn and profit of 69 cents per share, according to IBES data from Refinitiv.

Twitter

Twitter shares took a pounding yesterday as an unsettling update on its global user base offset upbeat figures on revenues and profits in the past quarter.

The short-messaging platform said it posted a \$255mn profit in the final three months of 2018, compared with \$91mn a year earlier, as revenues rose 24% to \$909mn.

Monte dei Paschi

Italian bank Monte dei Paschi di Siena said yesterday it had cut its financial forecasts in a restructuring plan to 2021 to take into account weaker-than-expected economic conditions.

Despite the gloomier outlook, the lender posted a full-year profit of €279mn (\$316mn) in 2018 – its first since 2015.

That figure includes €202mn of restructuring charges, the bank said.

The bulk of those charges weighed on the fourth quarter, which ended with a loss of €101mn.

Non-performing loans now account for 16.4% of total loans, down from 35.8% less than two years ago but still high when compared to a ratio of less than 10% for healthier banks like Intesa Sanpaolo and UniCredit.

DNO

Oil firm DNO is looking to buy more assets after its recent

takeover of London-listed Faroe Petroleum to further expand its North Sea presence.

Oslo-listed DNO, which produces most of its oil in the Kurdistan region of Iraq, clinched a hostile takeover bid for London-based Faroe Petroleum, valuing Faroe at £634mn (\$823mn), in January.

DNO posted a higher-than-expected fourth quarter operating profit of \$230mn, up from \$25.7mn a year before and beating a \$68.5mn forecast in a Reuters poll of analysts.

The earnings increase came as a result of a change in revenue recognition criteria.

Kellogg

Kellogg Co reported a fourth-quarter loss yesterday as it suffered the effects of a strong dollar and the costs of an ongoing restructuring and preparations for Brexit.

Net loss attributable to Kellogg was \$84mn, or 24 cents per share, compared with a profit of \$417mn, or \$1.20 per share, a year earlier.

Excluding items, Kellogg earned 91 cents per share, beating analyst expectations of 88 cents, according to Refinitiv data. Kellogg said net sales rose 4.1% to \$3.32bn in the quarter, ended December 29, helped by acquisitions, including its 2017 purchase of RXBAR.

The company said currency translation hurt sales by 3%.

Tata Motors

Indian automaker Tata Motors Ltd lowered its profit margin guidance for the current fiscal year after it posted its biggest quarterly loss yesterday, hurt by an impairment charge for its British luxury car business Jaguar Land Rover (JLR). Tata Motors expects the EBIT (earnings before interest and tax) margin for the fiscal year 2018-19 ending March 31 to be "marginally negative" compared with an earlier guidance of breaking even, chief financial officer, PB Balaji said.

Tata Motors' loss came at Rs269.93bn (\$3.78bn) for the three months ended December 31, compared with a profit of Rs11.99bn

in the year-ago period. Revenue rose 5.8% to Rs762.65bn. The company took a non-cash charge of Rs278.38bn (\$3.9bn) to cover the impairment at JLR in the three months to December 31.

Voestalpine

Specialty steelmaker Voestalpine expects further downward pressure on earnings from a slowing European economy, it said yesterday after a swing to a quarterly loss knocked 5% off its share price.

Voestalpine issued its second profit warning in four months in January and its statement yesterday sent its shares down as much as 5.6%. Finnish stainless steel maker Outokumpu and German steelmaker Salzgitter also warned of weaker profits.

Voestalpine, whose share price fell by nearly half last year, reported a net loss of €40.5mn (\$46mn) for the October-December quarter.

That compared to a net profit of €167mn in the same period a year earlier.

Marathon Petroleum

US refiner Marathon Petroleum Corp yesterday posted a 53% fall in quarterly profit compared with a year earlier, when it recorded a \$1.5bn gain related to the US tax overhaul.

Net income attributable to Marathon fell to \$951mn, or \$1.38 per share, in the fourth quarter ended December 31, from \$2.02bn, or \$4.13 per share, a year earlier.

Total revenue rose to \$32.54bn from \$21.24bn.

Norwegian Air Shuttle

Struggling low-cost airline Norwegian Air Shuttle said yesterday it would sacrifice growth in a bid to return to profitability after posting losses for the second year in a row.

Norwegian, Europe's third budget airline behind Ryanair and Easyjet, has been hit by an extended period of financial turbulence after years of unbridled expansion.

It announced a net loss of 1.46bn kroner (\$170mn, €150mn) in

2018, after dropping 1.79bn kroner the previous year.

"The company was hit by several unforeseen challenges during 2018.

Continued tough competition and high jet fuel prices affected the results, in addition to significant costs related to Rolls Royce engine issues on the Dreamliners," the company said in a statement.

ArcelorMittal

ArcelorMittal, the world's largest steelmaker, forecast yesterday a moderate expansion in global steel demand in 2019 after a healthy market drove its 2018 earnings to their highest in a decade.

The company said it expected demand to grow by 0.5 to 1% this year after rising 2.8% in 2018.

"Although this is a more moderate level than 2018, market fundamentals do remain positive," chief financial officer Aditya Mittal told a news conference.

Net debt at the end of 2018 was at \$10.2bn, slightly up from the \$10.1bn at the end of 2017.

ArcelorMittal, which returned to an investment grade rating last year, is seeking to reduce debt to below \$6bn.

The company reported fourth-quarter core profit (EBITDA) of \$1.95bn, a 9% decline from a year earlier as prices declined.

That was broadly in line with the company-compiled consensus of \$1.96bn from a group of about 20 brokers. For the full year the figure was \$10.27bn.

Publicis

Publicis shares slumped by more than 10% yesterday, as the French advertiser's weaker-than-expected quarterly revenue failed to convince investors and analysts.

The world's third-biggest advertising firm on Wednesday reported a 0.3% fall in fourth-quarter net revenue to about €2.49bn (\$2.83bn), excluding the impact of acquisitions and foreign exchange, far below market expectations of growth of 2.5%.

Outokumpu

Finland's Outokumpu warned yesterday that first-quarter profit would weaken as high distributor inventory levels pressure the stainless steel market, sending its shares sharply lower.

In the fourth quarter the firm's adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA) rose 9% to €89mn, in line with analysts' average forecast of 89.2mn from a Reuters survey.

However the company forecast that EBITDA in the January to March period would be below €89mn, sharply down from 133mn a year earlier.

Societe Generale

France's Societe Generale cut its profitability target after it was hit by a fourth quarter market downturn, joining other European banks battling a tough climate.

The country's third largest listed bank expects its return on tangible equity to be between 9 and 10% in 2020, down from a previous target of 11.5%. Societe Generale also said it would not meet its 3% revenue growth target after revenue fell 6.3% in the fourth quarter to €5.93bn (\$6.7bn), in line with analyst forecasts collected by Infront Data.

The bank issued a profit warning three weeks ago, hitting its shares.

Volvo Cars

China-owned Volvo Cars yesterday said the company sold more than 642,000 cars in 2018 – a record – but net profits dipped. Net income for the full year was 9.76bn kronor, (1bn dollars), down 4.5 per cent compared to 2017. Revenue rose 21 per cent to 252bn kronor.

The car maker said it sold 642,253 cars in 2018 – its fifth consecutive year of record sales.

SUV models, including the XC60 and XC40 series, accounted for roughly half of Volvo's sales.

In China, the world's largest car market, it sold about 130,000 cars – up over 14 per cent compared to 2017 although

the overall market in the Asian powerhouse declined for the first time in two decades. In the United States, Volvo's second largest market, sales in 2018 increased 20 per cent year-on-year to about 98,000 cars.

Norsk Hydro

Norwegian metals producer Norsk Hydro warned it would miss its 2019 savings targets after falling far short of fourth-quarter earnings forecasts due to restricted output in Brazil, sending shares down 8% to their lowest in two years.

Higher costs also impacted underlying operating profit, which fell 85% to 534mn Norwegian crowns (\$62.48mn) versus the 1.45bn crowns expected by analysts in a Reuters poll.

"Our results are reflecting the challenging situation we face in Brazil and higher raw material costs," chief executive Svein Richard Brandtzaeg said in a statement.

Securitas

Sweden's Securitas, the world's biggest security services group by revenue, missed market forecasts for fourth quarter sales growth yesterday due to slowing business in Europe and North America.

The group announced late on Wednesday programmes to modernise its IT platform, reduce costs and boost margins in North America, and flagged plans for a similar programme for its European operations.

Securitas, a rival of Britain's G4S, reported a fourth-quarter operating profit before amortisation of 1.5bn crowns (\$161mn) yesterday, up from 1.3bn crowns a year earlier.

But that lagged a Reuters poll forecast of 1.4bn as organic sales growth slowed to 5% from 6% in the same quarter of 2017. The group, whose services range from manned guarding and alarm surveillance to airport security, also proposed a slightly lower than expected dividend of 4.40 crowns per share.

Sanofi

French drugmaker Sanofi yesterday pledged further increases in full-year profit helped by new drug launches and its

reorganisation efforts.

It forecast an increase of 3-5% in 2019 earnings per share as it posted slightly higher-than-expected quarterly earnings, powered once again by its rare diseases Genzyme unit.

Sanofi, whose struggle to find new products has weighed on previous earnings as diabetes patents expired, is placing its hopes on the success of its new rare blood disorder franchise and a continued upswing for its eczema treatment Dupixent.

Sanofi's fourth-quarter business net income was up 4.3% at constant exchange rates to €1.36bn, while revenue rose 3.9% to 9bn.

Analysts polled by Reuters in partnership with Infront Data had on average been expecting a business net income of €1.32bn on sales of 8.9bn.

Sales at Genzyme surged 37.4%. Revenue at the diabetes and cardiovascular unit, however, fell 11.3%. At a conference in the US earlier this year, newly-appointed chief financial officer Jean-Baptiste de Chatillon said the division would "still face headwinds" in 2019.

DNB

DNB, Norway's largest bank, reported lower-than-expected fourth-quarter earnings yesterday while boosting its full-year dividend.

The company's pre-tax profit before impairments rose to 7.32bn Norwegian crowns (\$856.4mn) from 7.26bn a year ago, lagging the average forecast of 7.58bn in a Reuters poll of analysts.

DNB plans to pay a 2018 dividend of 8.25 crowns per share, up from 7.10 crowns the previous year, while analysts on average had expected a payout of 7.90 crowns.

AGL Energy

AGL Energy, Australia's top power producer, reported a 10% rise in half-year underlying profit, but warned that profits would be weaker in the next six months as it steps up spending on maintaining its ageing coal-fired plants.

Earnings in the second-half of the financial year that started

in July will also be hit by lower gas sales to large business clients, a continued price war for customers and retail electricity price cuts in the state of Victoria, new chief executive Brett Redman said yesterday.

AGL, which has the nation's biggest fleet of coal-fired power plants, said it would hold off from buying back shares.

The firm yesterday abandoned its three-year cost-saving target to 2021 and halved its target for the year to June 2019 to A\$60mn (\$43mn) taking into account the extra spending on its coal fleet.

AGL's underlying profit for the six months to December 31, which excludes one-off items, rose to A\$537mn from A\$487mn at the same time last year, boosted by strong wholesale power prices.

AGL said it was on track to hit the midpoint of its forecast range for underlying profit of between A\$970mn and A\$1.07bn in the year to June, roughly flat on last year.

Revenue slipped 1.8% to A\$6.34bn.

Prudential Financial

Prudential Financial Inc on Wednesday reported a 12% drop in adjusted operating income, partly due to a loss in its individual life insurance business and declines in other units.

The US No 1 life insurer by assets reported adjusted operating income, which excludes realised gains and losses from investments, of \$1bn, or \$2.44 per share, compared with \$1.2bn, or \$2.69 per share, in the year-ago quarter.

Analysts had expected \$2.78 per share, according to IBES data from Refinitiv.

Adjusted operating income for PGIM, Prudential's asset management arm, fell 20.6% to \$243mn from \$306mn a year earlier, the company said.

PGIM managed \$1.16 tn in assets as of December 31, \$6bn more than at the end of the year-ago quarter.

Prudential's US individual life insurance unit reported a \$26mn adjusted operating income loss compared to \$98mn in

income a year ago.

MetLife

US life insurer MetLife Inc missed analysts' estimate for fourth-quarter revenue on Wednesday, hit by weaker underwriting fees in its Asia and Europe, the Middle East and Africa (EMEA) markets.

Revenue was also weighed down by weaker capital markets in Asia and the impact of the US tax overhaul on the EMEA unit, the company said.

Total revenue fell 1% to \$15.66bn, missing analysts' average estimate of \$15.93bn, according to IBES data from Refinitiv.

MetLife's net investment income slid to \$3.46bn from \$4.45bn a year earlier, driven by changes in the estimated fair value of certain securities.

Adjusting for those changes, net investment income rose 7%. Net income fell to \$2bn from \$2.3bn.

Earnings at the company's US retirement business more than doubled, buoyed by volume growth, higher investment margins and lower taxes, helping overall adjusted profits rise 38% in the region. Excluding one-time items, MetLife earned \$1.35 per share. Analysts on average had expected earnings of \$1.28 per share.

Zurich Insurance

Zurich Insurance announced a dividend increase yesterday following a 24% jump in annual profit, and said that would set a floor for future payouts.

Europe's fifth-largest insurance company said its cost savings plan was on track and business operating profit (BOP) rose 20% last year to \$4.6bn, driven by underlying growth across the business, particularly in life, and underwriting improvements in property and casualty.

Still, insurance premiums rose modestly, to \$49.5bn from \$49.1bn in 2017, and were unlikely to show much growth this year.

"I expect top line to be pretty flat in 2019," finance chief

George Quinn told reporters.

Zurich said it was well on track to deliver on its financial targets for the 2017-2019 period with \$1.1bn in cumulative net cost savings achieved.

“We still have about \$400mn (in savings) to deliver pretax. That would be rightly the biggest driver of the additional improvement that we expect to see from the group in 2019,” Quinn said.

Breaking Germany's coal addiction



By Johan Rockstrom And Owen Gaffney /Berlin

Germany is about to break its coal addiction. Last year, the government created a 28-member “coal commission” – comprising scientists, politicians, environmental campaigners, trade unions, and utilities representatives – with the unenviable mandate of deciding when the country would get clean.

Balancing pragmatic considerations with recognition of the reality of climate change, the commission has now set 2038 as the deadline for reaching zero coal, with the withdrawal beginning immediately.

The Wall Street Journal calls it the “world’s dumbest energy policy.” In fact, Germany’s shift is vital and long overdue. The real question is whether it will be enough to support meaningful progress in the global effort to mitigate climate change.

It is scientifically well established that if the world is to keep the average increase in global temperature “well below” 2C relative to pre-industrial levels – the “safe” limit enshrined in the 2015 Paris climate agreement – no more than another 500-800bn tonnes of carbon dioxide can be emitted. On current trends, this would take just 12-20 years.

Instead, the world needs to follow a trajectory called the “carbon law,” which requires reducing CO2 emissions by half each decade until, 30-40 years from now, we have achieved a carbon-free global economy. Growing evidence shows that adhering to the carbon law is technologically feasible and economically attractive. In this process, coal – the most polluting energy source – must be the first to go, exiting the global energy mix entirely by 2030-2035.

This will be particularly challenging for Germany, which, despite its reputation as a climate leader, has long had a dirty secret: the most polluting type of coal – lignite – remains the country’s single biggest source of electricity. Although renewables have penetrated 40% of the electricity market, coal still accounts for 38%.

A decision to phase out nuclear power, spurred by the 2011 Fukushima disaster, left Germany with a significant energy gap, filled partly by coal. Germany has built ten new coal-fired power plants since 2011, bringing its total to about 120. As a result, it is set to miss its 2020 emissions goal (a 40% reduction, compared to 1990), and, barring decisive action, it could miss its 2030 target (a 55% reduction) as well.

The coal commission's plan – which still needs to be turned into legislation by Chancellor Angela Merkel and the Bundestag – would reduce Germany's coal emissions from 42 gigawatts today to 30 GW by 2022, and to 17 GW by 2030. This is a cut of more than 50% over one decade, making it even more ambitious than the carbon law trajectory – but only if coal is not replaced by natural gas. Indeed, if the coal phase-out is going to work, it will need to happen alongside a rising carbon price.

In any case, 2038 is still a long way off. A sluggish exit from coal by Germany – the world's fourth-largest economy – could send a signal to other coal-dependent European Union countries that there is no rush. Countries like Hungary, Poland, and the Baltic states may even pursue a coal renaissance. This would further weaken the EU's climate leadership and its ability to reform its carbon-trading system. Confident that coal will continue to be burned in the long term, investors would keep the money flowing.

Moreover, because Germany's influence extends far beyond Europe, a weak stance on coal could trigger a domino effect – what we call the “road to hell” scenario. US President Donald Trump might cite Germany's slow action as proof of its double standards on climate change – and even attempt to use it to justify, however weakly, his effort to revive the US coal industry. Brazilian President Jair Bolsonaro might do likewise, as he distances his country from the Paris climate agreement.

Australia, where climate politics are tense and an election is pending, could also be tempted to increase coal use. China and India, too, could become more inclined to expand coal-fired power plants. With that, meeting the 2C threshold would become impossible, and the devastation of Hothouse Earth would potentially become inevitable.

But there is good reason to think this will not happen. Even if the 2038 deadline is not ambitious enough, the immediate pace of the coal phase-out follows the carbon law. If Germany implements what it has agreed on paper, one should not

underestimate the symbolic value of a coal-dependent industrialised economy setting a clear end date for coal, and locking itself to a quantified phase-out plan. This, together with definitive shorter-term targets, would signal to investors that they can confidently invest in alternative energy sources.

This dynamic could well accelerate the timeline for Germany's exit from coal. A clause in the agreement creates the potential for an earlier exit from coal. After all, the best-performing major commodities in 2018 were European emissions allowances.

Designed to make coal less competitive, those allowances are expected to double in price in the next year or two. Hedge funds and other investors have already taken notice.

A deadline on German coal use would reinforce confidence that the value of allowances will keep increasing, creating a positive feedback loop of rising prices. Add to that a precipitous drop in the costs of wind and solar power, and it is not unrealistic to imagine that the markets will bring about a much faster departure from coal than any policy would.

Sometime in the 2020s, it will become cheaper to build new renewable systems than to continue running existing fossil-fuel plants in parts of Europe. At that point, there will be little chance of stopping the fastest energy transition in history. – Project Syndicate

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