

# Khashoggi case has put Saudi prince right where Erdoğan wants him



At about noon on Tuesday two regional leaders are due to make landmark addresses. In Riyadh, the de facto ruler of Saudi Arabia, Mohammed bin Salman, will open an investment showpiece declaring the kingdom open for business. In Ankara, the Turkish president, Recep Tayyip Erdoğan, is expected to make a speech that may well shut down the beleaguered kingdom.

Such are the stakes when Erdoğan takes to a podium to discuss the death of the Saudi dissident Jamal Khashoggi that the region may not be the same when he's finished.

Three weeks to the day since Khashoggi vanished after entering the Saudi consulate in Istanbul, Erdoğan has pledged to table the "naked truth" about what happened to the columnist and critic, whose fate continues to grip both countries and polarise the Middle East.

If he stays true to his pledge, much of the evidence that Turkey has gathered, incriminating Saudi Arabia in a plot to kill Khashoggi, will be revealed: in pictures, video and even bloodcurdling audio said to document his torture and death.

Setting the scene on Monday, a spokesman for the ruling party for the first time described Khashoggi's death as a "complicated murder" that was "monstrously planned".

That Erdoğan, not his bureaucrats, is now prepared to put his name to the material takes this extraordinary event to a new level. The Turkish strongman is expected to accuse the inner sanctum of power in Riyadh of organising a hit on Khashoggi, directly contradicting its claims that state officers had acted beyond their authority in an attempt to please their masters.

Such an allegation carries with it a weight not yet seen in Riyadh, where blanket early denials had first given way to begrudging disclosures, then partial admissions, cover-ups and fall guys. Dread is the order of the day, as the already-troubled investment conference looms. And in some quarters of the royal court, a palpable sense of panic has taken hold.



Erdoğan has the Saudis – in particular, the crown prince, Mohammed bin Salman (AKA MbS) – right where he wants him. Out of crisis has come opportunity for the veteran

Turkish leader, who has never warmed to the brash 33-year-old, and thinks even less of his regional allies.

The two men have vastly different visions for the future of the region: Erdoğan has been a champion of political Islam both at home and abroad, particularly since the rise and fall of Mohamed Morsi, the ill-fated former president of Egypt who hailed from the Muslim Brotherhood. The Turkish president has partnered with Qatar, Riyadh's regional foe, given shelter to those exiled after Morsi fell, and remained a bulwark for a movement that Riyadh and its ally the United Arab Emirates see as existential threats.

But he has remained on the losing end of the struggle for regional power and influence.

The prince, meanwhile, has been attempting to remodel Saudi Arabia, eschewing its deep links to the Wahhabi, Salafi religious establishment and turning it into an Arab nationalist police state. Abu Dhabi and Cairo are models here. And with Riyadh, the triumvirate had been in the ascendant regionally, ever since Morsi fell.

For Erdoğan, the gruesome killing marks a historic moment: a chance to turn the tables gifted to him by a cruel and reckless act that has sparked lasting revulsion, even among the kingdom's allies.

"This has become a strategic struggle between Erdoğan and his vision for the Middle East and a vision shared by MbS and his allies, MbZ [Mohammed bin Zayed, the crown prince of Abu Dhabi] and [the Egyptian president Abdel Fatah] al-Sisi," said Soner Çağaptay, the director of the Turkish programme at the Washington Institute.

"Erdoğan sees an opportunity in the Khashoggi murder – in that he realises MbS has become the weakest link in the anti-Erdoğan, anti-Muslim Brotherhood corner of the region. This is really thin ice that MbS is dancing on and I think Erdoğan is

attempting to make it even thinner.

“The roots really go back to 2013 [when Morsi was forced out of power]. He has refused to deal with the Sisi government, calling it illegitimate. Sisi is the secularist general who locked up political Islamists. And Erdoğan is the political Islamist who locked up secularist generals.”

Senior Saudis who sought solace from Erdoğan in Ankara in the past fortnight left town believing he had an even bigger prize in sight – relaunching Turkey as a regional Islamic power base, while diminishing Riyadh’s claim to be the pre-eminent voice for Sunni Islam.

Khaled al-Faisal, the governor of Mecca, returned after seeing Erdoğan and was really worried, one senior member of the royal family has revealed. “He wasn’t budging, he didn’t want to listen to anything we said. Al-Faisal came back and told the King we have a crisis.”

Çağaptay believes Erdoğan’s goals are more limited – for now. “He wants not to go after the Saudi royal family, to whom he’s deferential, including the King. What he’s trying to get out of this is to sideline, or maybe even neutralise MbS at least when it comes to Turkey. He wants to take one of his opponents out of that triple entente that opposes him.”

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**Opening – Deaths of  
journalists must be**

# rigorously investigated



President Tajani called for an international inquiry into the death of journalist and writer Jamal Khashoggi, at the opening of the session in Strasbourg.

“This Parliament will always be at the forefront of defending the freedom of the press and journalists”, said President Tajani, calling for a rigorous, international inquiry to clarify the circumstances of the death of journalist and writer Jamal Khashoggi. Parliament demands that the Saudi Arabian authorities find and punish the perpetrators of this heinous crime, he said.

A year after her death, Daphne Caruana Galizia, the Maltese journalist who was killed for her investigations, was also remembered.

President Tajani offered condolences to the families of the victims of floods in recent weeks in France, Spain and Italy.

He also expressed Parliament's condolences to the families of the victims of the attacks on polling stations in Afghanistan.

## **Changes to the agenda**

### *Tuesday*

- The title of the HR/VP statement on "The disappearance of the Saudi journalist Jamal Khashoggi" will be changed to "The killing of journalist Jamal Khashoggi in the Saudi consulate in Istanbul".
- The Council and Commission statements on "The Cum Ex Scandal: financial crime and the loopholes in the current legal framework " will be added, as the second item in the afternoon. The debate will be wound up with a resolution, to be voted in November or December.
- The Council and Commission statements on "Need for a comprehensive Democracy, Rule of Law and Fundamental Rights mechanism" will be added, as the fifth item in the afternoon. The debate will be wound up with a resolution, to be voted on in November.

### *Thursday*

In the afternoon slot, the Oral Question on the "Fair market for industry" will be replaced by a Commission statement, with the same title and in the same slot.

## **Requests by committees to start negotiations with Council and Commission**

Decisions by several committees to enter into inter-institutional negotiations (Rule 69c) are published on the plenary website.

If no request for a vote in Parliament on the decision to enter into negotiations is made by Tuesday 24.00, the committees may start negotiations.

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# Arabie saoudite: MBS, le tyran qui a dupé l'Occident



**L'assassinat de Khashoggi dévoile la vraie nature du régime: derrière le modernisme affiché, une barbarie d'un autre temps.**

Il prétend guider jusqu'aux rivages de la modernité une pétromonarchie ensablée dans ses archaïsmes, mais son ascension dépoussière trois figures mythologiques de l'Antiquité grecque ou romaine : Icare, Narcisse et Janus.

*Ecoutez Vincent Hugeux parler de son enquête sur Mohammed Ben Salmane, le prince héritier saoudien qu'on soupçonne d'avoir fait assassiner le journaliste Jamal Khashoggi (sur*

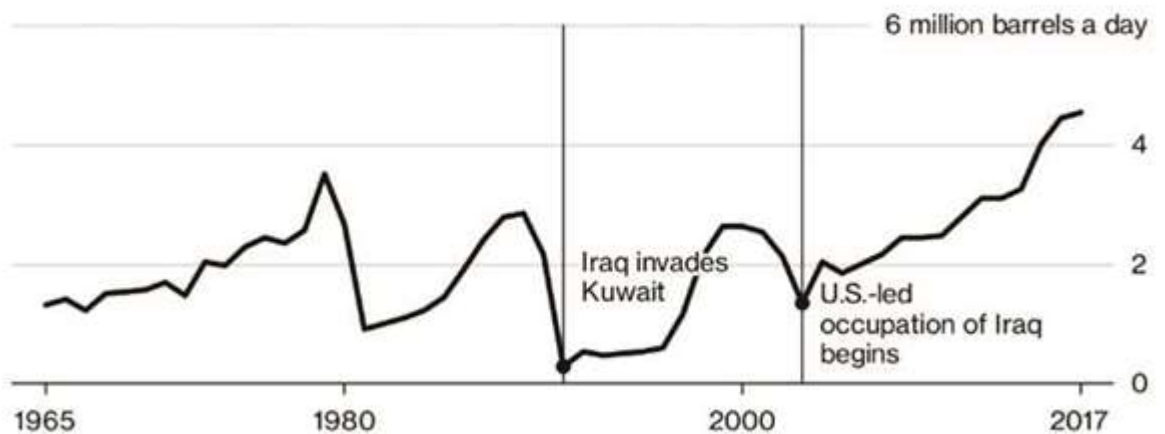


SoundCloud).

# World's fourth-biggest oil producer can't keep the lights on

## Iraq Surge

Oil output doubled since 2007 and could hit 6 million barrels a day by 2025



Source: BP Statistical Review of World Energy

**Bloomberg**

## Bloomberg/Dubai

Iraq is fast becoming a global oil powerhouse, gaining stature in Opec after it surpassed Canada this year as the world's fourth-biggest producer.

But the war-ravaged country has little to show for its feat. While crude markets are preoccupied with Saudi Arabia's ability to boost output as impending US sanctions curb Iranian exports, Iraq has quietly increased shipments to Asia, Europe and the Mediterranean region to offset Iran's missing barrels. Iraq is producing a record 4.78mn barrels of oil a day, the country's Oil Minister Jabbar al-Luaibi said on Saturday.



Output will rise to 5mn barrels a day in 2019 and 7.5mn in 2024, he said.

Consultant Wood Mackenzie forecasts Iraq could pump 6mn barrels a day by 2025 and that its output is set to grow faster than for all countries but the US over the next six years.

For all its petro-wealth, Iraq lacks steady electricity supplies and has trouble keeping the lights on – and attracting the kinds of investment needed to create jobs and spur local businesses.

“An increase in production is good news, but Iraq still fails to provide basic services like clean water and power to its citizens, including in Basra where most of the oil is extracted,” said Ziad Daoud, Bloomberg’s chief economist in the Middle East.

Most indicators in Iraq beyond oil show little promise. Political tensions continue to simmer due to Baghdad’s stalemate with the country’s semi-autonomous Kurds.

Oil prices have doubled since 2016, bolstering Iraq’s finances, yet the country’s stock index is down 30% over the same period. More than \$32bn of foreign direct investment has flowed out of the country over the past five years, according to UN data.

Fifteen years after the US led a military coalition to oust Saddam Hussein’s regime, “people are frustrated that they don’t have 24-hour electricity, that the infrastructure and healthcare are poor,” said Ali al-Mawlawi, head of research at Baghdad-based think tank Al-Bayan Center. “Wealth isn’t trickling down in a fair and equitable way.”

Security improvements and efforts to form a new government are cause for some optimism, al-Mawlawi said in a phone interview. Yet persistent corruption and a cumbersome bureaucracy make “foreign companies apprehensive about investing,” he said.

None of this seems to matter for the oil industry in Iraq, the second-biggest member of the Organisation of Petroleum Exporting Countries after Saudi Arabia.

Oil majors like Exxon Mobil Corp, Total SA, Lukoil PJSC and

Gazprom PJSC sat out the latest auction for Iraq's oil and gas blocks in April, but smaller companies from the United Arab Emirates and China succeeded in securing contracts.

International oil companies are responsible for two-thirds of Iraq's current production, and their capital and technology are crucial to maintaining and raising output, said Ian Thom, Wood Mackenzie's principal analyst for Middle East upstream.

As long as the government keeps paying foreign oil companies in full and on time, producers can extract reasonable returns from Iraq's low-cost fields, even if crude drops to \$30 a barrel, Thom said. Brent crude, the global benchmark, has traded at an average of more than \$73 this year.

"Iraq will not struggle to find foreign investors to grow its oil sector," Daoud said. "The challenge is to attract capital and expertise to benefit the broader economy."

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**Qatar's 43% jump in LNG production to 110mn tonnes to commence by 2024: Al-Sada**



## Nagoya City

Qatar's 43% increase in liquefied natural gas production to 110mn tonnes per year is planned to commence by 2024, said HE the Minister of Energy and Industry Dr Mohamed bin Saleh al-Sada.

Qatar, with its current 77mn tonnes exports, stands as the biggest LNG supplier, accounting for nearly one fourth of the global LNG trade, al-Sada said at the '7th LNG Producer-Consumer Conference 2018' in Nagoya City, Japan on Monday.

In 2017, the minister noted, "His Highness the Amir of the State of Qatar, Sheikh Tamim bin Hamad al-Thani, instructed to increase LNG production by 43% from the current 77mn to 110mn tonnes per year. This production is planned to commence by 2024, thereby largely contributing to global efforts to bridge the gap between the supply and demand of LNG, which is expected to emerge starting mid-2020s due to demand growth."

Al-Sada emphasised that Qatar "placed its relationship with its customers on top of its priority" list.

He added that despite the "unjust and illegal blockade" by its

neighbours, Qatar had not missed out a single shipment to its valued customers worldwide.

Al-Sada said gas was forecast to be the fastest-growing fossil fuel in the global energy mix. He added that the growth rate of LNG has surpassed all other sources of energy.

The minister stressed that the second wave of LNG-production, led by the addition of four world-class LNG trains in Qatar, besides upcoming substantial producing facilities in the US, Mozambique, Canada and other countries will further boost international LNG trade.



**HE Dr al-Sada with US Deputy Secretary of Energy Dan Brouillette on the sidelines of the '7th LNG Producer – Consumer Conference 2018' in Nagoya City, Japan**

Al-Sada noted the growing LNG trade was a “second revolution” of natural gas, and a “natural evolution” to meet the rising need for cleaner energy, delivered at the doorstep of consumers around the world.

The minister added that by 2040, LNG is expected to exceed the volumes of gas delivered by pipeline and will make up the bulk of gas trades for the first time.

Al-Sada, who headed the Qatar’s delegation to the conference, met on the sidelines Dan Brouillette, US Deputy Secretary of Energy. The two sides discussed matters of common interest in the field of energy.

The minister also met Dr Fatih Birol, IEA executive director, and discussed the latest developments in the oil and gas markets.

The LNG Producer-Consumer Conference is a global annual forum, providing an opportunity to promote active dialogue among LNG producers, consumers and other stakeholders with a view to

deepening shared understandings of market trends and to developing the global LNG market.

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# Moody's upgrades Qatar banking sector outlook to 'stable'



Santhosh V. Perumal

Global credit rating agency Moody's has upgraded Qatar's banking sector outlook to "stable" from "negative", reflecting the resilience of the country's economy and banking system to the ongoing economic and diplomatic blockade.

The rating agency also noted that the country's banking sector profitability will remain "stable" with capital buffers remaining "strong".

Highlighting that the banks' operating environment stand to

benefit from higher economic growth, Moody's forecasts Qatar's real gross domestic product (GDP) to grow 2.7% in 2018 (against 1.6% a year ago), supported by high levels of public spending.

Qatar remains among the fastest growing economies in the Gulf Cooperation Council (GCC), with momentum fuelled by government-financed infrastructure projects both as part of the country's National Development Strategy and preparations for the 2022 FIFA World Cup, supporting the resilience of the operating environment and the banking system, it said in a report.

Highlighting that the Qatari economy has rebalanced as the supply chain disruptions following the blockade recovered rapidly with initial levels of imports restored in less than four months into the blockade; the rating agency said this illustrates the economy's flexibility and policy effectiveness in re-routing supplies.

Expecting Qatari banks' profitability to remain "stable" over the review period, with return on assets at around 1.4% by 2019; Moody's said Qatari banks' interest rate margins are slated to remain stable at 2.2% achieved in 2017, because the gaps between credit growth and deposit growth have been narrowing, reducing pressure on funding, which will support funding costs.

Moreover, Qatari banks have started re-pricing assets, which will further support any generalised increase in funding costs due to current rising interest rate environment.

Although a modest rise in non-performing loans are expected, necessitating "moderately" higher provisioning charges, it, however, said the adoption of the IFRS 9 accounting standard in the first quarter of 2018 means the early recognition of expected losses will ultimately support profitability over the outlook period.

“Qatari banks’ profitability will be supported by the system’s strong efficiency. Qatar’s small and concentrated population means that banks can service their customers without the need for an extensive (and costly) branch network,” Moody’s said, forecasting that the system’s cost-to-income ratio will remain between 25% and 30% into 2019, the lowest among GCC banks.

Moody’s said capital buffers remain strong with tangible common equity expected to remain “stable” around 15.5% of risk-weighted assets by end 2019, driven by slower than normal credit growth and higher profit retention, counterbalancing the impact on the recognition of expected credit losses taken from the reserves for the implementation of IFRS 9.

Qatari banks’ capital adequacy compares favourably with their GCC peers

“Under our base-case (or most likely) scenario, we expect the system-wide capital ratio to increase slightly over a two-year horizon, to 15.7% by end-2019, from 15.5% in 2017. This will be mainly driven by healthy pre-provision income,” Moody’s said.

Finding that Qatari banks maintain sound and stable liquidity buffers with liquid assets at 24% of total assets as of December 2017, the rating agency it expects the banks’ liquid assets to remain stable over the outlook period.

“The bulk of these liquid assets are held in Qatari government securities (rated Aa3, stable), which can be repo-ed with the central bank in times of market stress,” it added.

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# The economics of climate change



Two major events last week bear directly on global debates about climate change and how to address it. The first was the release of a report from the United Nations Intergovernmental Panel on Climate Change (IPCC), which sets out precisely what must be done to achieve the objectives of the 2015 Paris climate agreement. The second was the announcement that Yale University economist William Nordhaus will share this year's Nobel Prize in economics for his work "integrating climate change into longrun macroeconomic analysis." The first event should serve as a wakeup call for the international community. The IPCC report appeals to governments to take urgent action to reduce greenhouse-gas emissions significantly within the next decade. It warns that if average global temperatures are allowed to exceed 1.5C – or, at worst, 2C – above pre-industrial levels, the consequences could be catastrophic, and they will be felt as soon as 2040. Worse, the report shows that the Nationally Determined Contributions set voluntarily by signatories to the Paris accord are vastly insufficient. Even if they are met, the increase in average global temperature will surpass 3C by 2100, and will continue to rise still further after that. Clearly, when policymakers revise their countries' NDCs, they must raise them significantly.

But substantive action needs to come well before 2030. Otherwise, the world will suffer irreversible damage in the form of rising sea levels, loss of biodiversity, and deterioration of both land and marine ecosystems, including the potential extinction of the world's coral reefs. These developments will have far-reaching implications for water supplies and the health and living standards of the global population. And, needless to say, the greater the warming, the more severe these effects will be.

The selection of Nordhaus for the Nobel Prize is a more welcome development. Even so, it is worth noting that his approach to addressing climate change tends to be rather conservative, which is to say gradualist. Nordhaus relies on traditional economic analysis, which "discounts" the present value of future consumption by the return on capital, or interest rates. In other words, \$100 a half-century from now is worth \$15, \$10, or even less today, depending on the assumed interest rate. But, because the costs of any initiative to combat climate change must be borne in the present, they are necessarily higher at present values. The implication is that they must be incurred slowly. The problem with this approach is that it is inequitable toward future generations, which, of course, have no say in decisions that we make today. By definition, their welfare is being discounted. Yet were we to take intergenerational equity seriously, the leading factor to consider is that future generations will have better technologies than what we have today. Therefore, the appropriate social rate of discount should be equal to the rate of technological change, which is much lower than market interest rates. One could also argue that the traditional economic analysis is even inequitable toward individuals, in addition to future generations. Just ask an older person with an inadequate (or nonexistent) pension whether his present welfare is worth less than his past consumption. A much better approach has been developed by Nicholas Stern of the London School of Economics. In his now-

famous "Review on the Economics of Climate Change," Stern was calling for accelerated action to combat climate change as early as 2006. In his view, the costs of dealing with runaway global warming would far exceed the expense of addressing it early. Another alternative has been developed by Martin Weitzman of Harvard University.

Weitzman relies on analytical tools similar to those used by Nordhaus, but his work also accounts for the catastrophic risks associated with climate change. As such, his approach is also similar to that of the IPCC and the UN Environment Programme (UNEP), both of which have concluded that global warming above a certain level will have truly disastrous effects. To my mind, the Nobel Committee should have recognised not just Nordhaus but also some of these other economists of climate change, particularly Stern. The fact is that humanity cannot afford to act gradually on this issue. The Stern Review, the latest IPCC report, and the UNEP have all concluded that current efforts to reduce emissions must be stepped up substantially. That means accelerating the global transition to clean-energy technologies (including in transportation), improving the efficiency of energy production/consumption, reversing deforestation, improving land use, and promoting technological innovation to facilitate all of these processes. The message from the IPCC report is clear. All countries must raise their emissions-reduction targets and strengthen their commitments under the Paris agreement. And the country that is historically responsible for the largest share of greenhouse-gas emissions – the United States – must return to the agreement and show leadership on this issue once again. – Project Syndicate 0 José Antonio Ocampo is a board member of Banco de la República, Colombia's central bank, professor at Columbia University, and Chair of the UN Economic and Social Council's Committee for Development Policy.

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# **Pourquoi l'embargo saoudien contre le Qatar a fait un flop**



**Le petit émirat tient tête à Riyad depuis 17 mois, grâce à ses fabuleux revenus gaziers et à la souplesse des marchés internationaux de produits de consommation.**

A en croire les Qataris, l'embargo imposé par leurs voisins a tellement de conséquences positives qu'on serait tenté de leur conseiller d'en susciter d'autres...

## Un cas sans équivalent

Le minuscule mais richissime émirat (350.000 ressortissants, PIB par habitant de 128.000 dollars, record du monde) tient tête efficacement à cette Arabie Saoudite sur la sellette aujourd'hui suite à l'affaire Khashoggi. Le 6 juin 2017, Riyad avait imposé, avec Le Caire, Bahreïn et Abou-Dhabi, un embargo aérien, terrestre et naval total sur Doha, pour cause de divergences géostratégiques. Un cas d'une ampleur sans équivalent au monde depuis un demi-siècle. Au point que les Qataris parlent de blocus, terme toutefois inexact puisque l'armée saoudienne n'intercepte pas les avions et navires turcs, iraniens ou européens approvisionnant désormais l'émirat.

Ce sont ces navires et avions qui ont permis au Qatar, après quelques jours de sidération, de remplacer les produits acheminés jusque-là quasi exclusivement depuis Riyad, seul lien terrestre avec la péninsule, ou du port de Dubaï. A été instauré un pont aérien spectaculaire, qui a notamment acheminé 4.000 vaches laitières australiennes. « *Nous avons mis deux mois pour installer de nouveaux circuits commerciaux et logistiques en appliquant simplement des plans de précaution prévus pour d'autres crises* », explique le secrétaire d'Etat à l'Economie, Aziz Ahmed Aluthman.

Les produits de consommation viennent désormais directement du Maghreb, d'Europe, de Turquie, d'Iran ou d'Inde. Sans susciter d'inflation, insistent les Qataris, qui affirment avoir découvert à cette occasion que les grossistes saoudiens « *margeaient* » énormément. Les prix relevés dans un supermarché de Doha sont en tout cas du même niveau qu'en Europe.

## Un prétexte pour les réformes

Le Qatar a pu compter sur son Port Hammad, devenu opérationnel

juste avant l'embargo. Et a profité de la souplesse des grossistes internationaux. « *Les machines outils et matériaux de base sont facilement disponibles sur le marché mondial* », explique Philippe Tavernier, patron de la filiale locale de Vinci, « *et il existe deux cimenteries nationales* ». Doha s'est d'ailleurs mis à subventionner la petite industrie locale et a cessé d'hésiter sur des réformes, afin d'attirer les investisseurs étrangers. Ceux-ci ne seront bientôt plus obligés d'être associés à 51 % avec un partenaire local.

L'émirat a profité aussi de ce que l'intégralité de ses exportations et les deux tiers de son PIB proviennent du gaz, incontournable source d'électricité. A tel point qu'Abou Dhabi a fait une exception à son embargo pour continuer d'importer son gaz de Doha... L'économie dispose aussi du moteur des chantiers d'infrastructures destinés à doter l'émirat de secteurs de santé et d'enseignement d'excellence, sans oublier les huit stades de la Coupe du monde 2022 et les tours des quartiers d'affaires. Qui semblent toutefois peu peuplées, au risque d'une bulle : « *C'est une politique économique de l'offre* », reconnaît pudiquement un homme d'affaires...

## **Retour à la normale**

C'est sur le plan bancaire que l'embargo a fait tanguer l'émirat, avec des retraits de 20 milliards de dollars en une semaine, qui a obligé Doha à rapatrier le double de ses propres placements à l'étranger. Les agences de notation ont placé la note AA- de la dette qatarie en perspective négative mais ont rétabli la perspective stable récemment.

« *Nous sommes plus ouverts et connectés qu'avant* », ajoute Lolwah El Khater, la porte-parole du ministère des Affaires étrangères, qui cite la suspension de visas préalables pour les touristes de 88 pays. L'embargo laisse aux Qataris une impression de gâchis humain, puisque les pays voisins interdisent à leurs ressortissants de venir voir leurs proches

dans l'émirat. « *La crise a déstabilisé le Conseil de coopération du Golfe persique, ajoute Aziz Ahmed Aluthman, pourtant indispensable dans une région à la culture politique sanguine* ».

Yves Bourdillon

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## Gas fracking to start in England again next week after 7-year halt



Reuters/Preston

Shale gas developer Cuadrilla Resources expects to start gas fracking in northwest England next week, seven years after its first attempt to hydraulically fracture a well led to earth tremors, public protests and an overhaul of regulations.

The process, behind a surge in US gas production, involves fracturing rock deep under ground using a mixture of water,



sand and chemicals to encourage the flow of hydrocarbons from shale, a dense and tightly-packed sedimentary rock.

It has draw criticism from the public and campaigners concerned about the environmental impact of fracking and the pollution caused by fossil fuels.

Protests against the practice led to work at Cuadrilla's site being halted in 2011.

But the government, keen to cut Britain's reliance on gas imports which soared to more than 50% of gas supplies, has tightened regulations and earlier this year gave consent for Cuadrilla to go ahead again.

Cuadrilla chief executive Francis Egan told Reuters that fracking of two wells and associated work would test gas flows.

"From that we'll be able to make an assessment of how much gas is recoverable and whether it will be commercially viable to develop the site," he said on the muddy Preston New Road site.

The industry's future in Europe may hinge on the outcome.

Although fracking has grown rapidly in the United States, it has not been proved viable in Europe despite several attempts, including projects that failed in Poland five years ago.

Fracking has been banned in France, Germany and several other European countries.

Cuadrilla's well will be the first fracked horizontal well in Britain and the results will be watched by shale explorers such as IGas, Egdon and Third Energy, as well as majors like Exxon which was unsuccessful in Poland.

The plans could also be delayed by an injunction hearing due on October 10.

Environment group Friends of the Earth said the injunction was sought by Bob Dennett, a resident in Lancashire, the English county where the project located.

The hearing "will decide whether the injunction is upheld or whether fracking can commence whilst there is an outstanding judicial review over emergency planning procedures at the site," Friends of the Earth said in a statement.

Egan said this was a "last ditch, desperate attempt to slow us

down” and said: “We think we have a very strong case to have that rejected and we will be in court next week arguing that.” The British Geological Survey estimates shale gas resources in northern England alone could amount to 1,300tn cubic feet (tcf) of gas, 10% of which could meet the country’s demand for almost 40 years.

Britain has just 6.5 tcf in proved reserves and last year pumped 1.5 tcf, according to the BP Statistics Review.

Proved reserves are the strictest calculation of oil and gas that can be commercially extracted.

They change as discoveries are made.

Cuadrilla, owned by Australian mining servicing company AJ Lucas and US private equity fund Riverstone, said resource estimates were about 330 tcf for its licence area.

Cuadrilla’s aimed to test a consultancy estimate that a single 2.5km (1.25 mile) well would produce 6bn cubic feet (bcm) of gas over its lifetime or about 5mn cubic feet a day, Egan said.

If the tests are positive, Cuadrilla has permission for two more wells at the site located next to a road connecting the northern English towns of Preston and Blackpool.

Cuadrilla has enough funds for the current tests.

Its shareholder Riverstone, a \$38bn private equity fund, has invested in US shale firms such as pipeline operator Kinder Morgan.

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## **IEA sees world oil market ‘adequately supplied’**



Reuters/London

Oil markets look “adequately supplied for now” after a big increase in production over the last six months but the oil industry is coming under strain as it copes with increasing global demand, the West’s energy watchdog said yesterday.

The International Energy Agency said in its monthly report that the world’s spare oil production capacity was already down to only 2% of global demand, with further reductions likely to come.

“This strain could be with us for some time and it will likely be accompanied by higher prices, however much we regret them and their potential negative impact on the global economy,” the Paris-based IEA said.

Members of the Organisation of the Petroleum Exporting Countries and other exporters such as Russia and US shale producers had increased oil production sharply since May, the IEA said, raising output by 1.4mn barrels per day (bpd). Overall Opec had boosted production by 735,000 bpd since May as Middle East Gulf producers such as Saudi Arabia and the UAE more than compensated for declining output in Venezuela and Iran, which is facing US sanctions from next month.

And the outlook for world oil consumption was faltering.

The IEA cut its forecast of global oil demand growth by 0.11mn bpd for both this year and next to 1.28mn bpd and 1.36mn bpd respectively.

“This is due to a weaker economic outlook, trade concerns, higher oil prices and a revision to Chinese data,” said the IEA, which advises major oil consumers on energy policy. OECD commercial stocks rose by 15.7mn barrels in August to 2.854bn barrels, their highest level since February, on strong refinery output and liquefied petroleum gas restocking, the IEA said.

It added that OECD inventories were likely to have risen by 43mn barrels in the third quarter, the largest quarterly increase in stocks since the first quarter of 2016.

“The increase in net production from key suppliers since May of approximately 1.4mn bpd, led by Saudi Arabia, and the fact that oil stocks built by 0.5mn bpd in 2Q18 and look likely to have done the same in 3Q18, lends weight to the argument that the oil market is adequately supplied for now,” the IEA said.