

# LG Chem set to build 2nd US EV battery plant, say sources



Reuters/Seoul/Detroit

South Korean electric vehicle (EV) battery maker LG Chem is considering building a second US factory, three people familiar with the matter said, accelerating a race to add capacity to meet growing global demand for green vehicles.

LG Chem, one of the leading EV battery makers in the world that counts General Motors and Volkswagen among its customers, is weighing investing about 2tn won (\$1.70bn) in the plant that could begin production in 2022, one of the people said.

Kentucky and Tennessee are among the candidates for the plant's site, the person said.

A decision on the plant's site is expected to be made by the end of this month, another person said.

Automakers are pushing ahead with billions of dollars in investments in electric vehicles to meet global regulatory requirements.

A new plant by LG Chem would come as South Korean companies have stepped up US investments, moves that have been praised

by US President Donald Trump.

LG Chem's new factory would primarily supply to Volvo, Fiat Chrysler Automobiles, and potentially to Hyundai Motor, GM and Volkswagen, one of the people said.

LG Chem, the most valuable company of the LG conglomerate, said in a statement issued to Reuters it is reviewing various ways to meet its global clients' orders, but there are no concrete plans at the moment.

The sources declined to be named as the plan is confidential.

A second US plant would come amid a growing rivalry between LG Chem and crosstown rival SK Innovation, which recently broke ground on its \$1bn US EV battery plant to primarily supply to Volkswagen.

Earlier this year, LG Chem sued SK Innovation in the United States for alleged theft of trade secrets by hiring its former employees.

"We are currently pursuing another production base," LG Chem's new CEO Shin Hak Cheol told reporters this week, without elaborating on the country.

Electric vehicle sales are projected to reach 1.28mn vehicles by 2026 in the United States alone, compared with less than 200,000 in 2018, according to market researcher IHS Markit.

Trump praised US investments by SK, Lotte Group and other South Korean conglomerates and raised hopes that Korean companies will continue to expand in the US. "Thank you very much. Congratulations. It's a great job," he said during his meeting with South Korean business leaders in Seoul on June 30.

The participants included group holding company LG Corp's vice chairman Kwon Young Soo.

LG Chem, the battery supplier for GM's Bolt, currently operates an EV battery plant in Michigan.

LG Chem also has production bases in South Korea, China and Poland.

It drew attention during the groundbreaking of its first US production facility in 2010, when former president Barack Obama travelled to Michigan for the event. LG Chem is also

being wooed by the government of South Korean President Moon Jae-in to build a new domestic factory to create jobs – one of Moon’s top priorities.

CEO Shin said LG Chem is in talks to build a production facility for cathode materials used in EV batteries in the southeastern city of Gumi in South Korea, but details have not been finalised.

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## Oil Tankers’ Tracking Signals Are Vanishing in the Strait of Hormuz



Oil tanker owners are finding a way to reduce the risks of navigating the Strait of Hormuz, the world’s most important –

and lately most dangerous – energy chokepoint: vanish from global tracking systems.

Copying from Iran's own playbook, at least 20 ships turned off their transponders while passing through the strait this month, tanker-tracking data compiled by Bloomberg show. Others appear to have slightly altered their routes once inside the Persian Gulf, sailing closer than usual to Saudi Arabia's coast en route to ports in Kuwait or Iraq.

Before the latest increase in tensions with Iran, ships were more consistent about signaling their positions as they passed through a waterway that handles a third of seaborne petroleum. Once inside the Gulf, shipping routes took them fairly close to the Iranian coast, skirting the offshore South Pars/North gas field shared by Iran and Qatar. Most still do, but a growing number appear to be trying something new.

It's little surprise that ships are doing everything possible to minimize risk. The Gulf region has witnessed a spate of vessel attacks, tanker seizures and drone shoot-downs since May, all against the backdrop of U.S. sanctions aimed at crippling Iran. War-risk insurance soared for tanker owners seeking to load cargoes in the region.

Two British warships are now situated in the waters around Hormuz where they were recently escorting the nation's ships. The U.S. 5th Fleet also permanently operates in the region. On Wednesday, the Norwegian Maritime Authority advised the country's flagged vessels to minimize transit time in Iran's territorial waters. Tanker captains have become increasingly nervous about the risks of getting caught up in the conflict.

See QuickTake on the Strait of Hormuz

At least 12 vessels loaded in Saudi Arabia and shut off their transponders while passing through the strait within the past month. They include the supertanker Kahla, which turned off its signal on July 20 before passing through the strait. It

reappeared two days later on the other side of the waterway.

Likewise, at least eight vessels that loaded in Iraq and Kuwait went dark while leaving the Strait of Hormuz. A vessel shipping from the U.A.E. also dropped off tracking systems.

The apparent shutdown of signals coincides with a slew of disruptions in the region. On July 11, the Royal Navy intervened to prevent Iran from impeding a tanker operated by BP Plc from passing through Hormuz. Three days later, Iran seized a Panama-flagged vessel. On July 19, Iranian forces took control of a British-flagged tanker in retaliation for similar action by U.K. authorities. The vessel, the Stena Impero, remains impounded.

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## **Climate Changed Turbines in Landfill Trigger Debate Over Wind's Dirty Downside**



Wind turbines may be carbon-free, but they're not recyclable.

A photograph of dozens of giant turbine blades dumped into a Wyoming landfill touched off a debate Wednesday on Twitter about wind power's environmental drawbacks. The argument may be only beginning.

Fiberglass turbine blades – which in some cases are as long a football field – aren't easy to recycle. And with BloombergNEF expecting up to 2 gigawatts worth of turbines to be refitted this year and next, there could be heaps more headed for dumps.



A technician repairs a wind turbine blade in Adair, Iowa.

Photographer: Daniel Acker/Bloomberg

Cynthia Langston, solid waste division manager for the city of Casper, declined to say where the turbine debris came from. But she's happy to have it. The 1,000 blades will bring in about \$675,000 for the landfill, helping keep trash costs low for local residents. Plus, Langston said, wind-farm junk is less toxic than other garbage.

"It's much cleaner than the contaminated soil and demolition projects from the oil and gas industry," Langston said in an interview. "These are about as non-toxic as you can get."

Wind turbine blades represent a "vanishingly small fraction" of overall waste in the U.S., according to the American Wind Energy Association.

Sachin Shah, chief executive officer of one of the world's largest clean-power operators, Brookfield Renewable Partners LP, said "there will be an aggressive effort to re-use

materials” in the years ahead.

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## US sanctions Iran's Foreign Minister Mohammad Javad Zarif



The US Department of the Treasury has imposed sanctions against Iranian Foreign Minister Mohammad Javad Zarif.

The sanctions freeze any assets Mr Zarif may have in America, the department said.

“Javad Zarif implements the reckless agenda of Iran’s Supreme Leader (Ayatollah Ali Khamenei),” Treasury Secretary Steven Mnuchin said.

Mr Zarif tweeted the US had imposed sanctions on him because it considered him as a threat to its agenda.

- Iran-US tensions: What’s going on?



- US-Iran relations: A brief history
- Gulf crisis: Are we heading for a new tanker war?

Tensions between the US and Iran have heightened since the US last year withdrew from the 2015 nuclear deal that aimed to curb Iranian nuclear activities.

There are growing concerns that a number of recent incidents in the Gulf could lead to a military conflict in the vital shipping region.

On Wednesday, the US extended waivers which allow Russia, China and European countries to continue civilian nuclear cooperation with Iran.



Media caption Iran's Foreign Minister: We cannot leave our own neighbourhood

White House security adviser John Bolton said on Wednesday that it was a "short 90 day extension".

"I think the idea here is we are watching those nuclear activities very, very closely," he added.

## What did the US say?

Mr Mnuchin described Mr Zarif as the Iranian “regime’s primary spokesperson around the world”.

“The United States is sending a clear message to the Iranian regime that its recent behaviour is completely unacceptable.

“At the same time the Iranian regime denies Iranian citizens’ access to social media, Foreign Minister Javad Zarif spreads the regime’s propaganda and disinformation around the world through these mediums,” Mr Mnuchin said.

## How did Mr Zarif respond?

Mr Zarif said the US move “has no effect on me or my family, as I have no property or interest outside of Iran”.



“The US reason for designating me is that I am Iran’s ‘primary spokesperson around the world. Is the truth really that painful?” he asked.

“Thank you for considering me such a huge threat to your agenda.”

# What about the 2015 nuclear deal?

Last year, the US unilaterally withdrew from the agreement between Iran and world powers.

Washington has since reimposed tight sanctions affecting the Iranian economy, and also

The other parties of the 2015 deal – China, France, Germany, Russia and the UK – criticised Mr Trump's decision and said they remained fully committed to the deal.



Media caption Inside Iran: Iranians on Trump and the nuclear deal

Iran responded by breaching the limit on its stockpile of low-enriched uranium set under the nuclear deal.

Tehran stepped up production of enriched uranium, used to make reactor fuel but also potentially nuclear bombs, in May.

- Is the Iran nuclear deal finally dead?
- Why do the limits on uranium enrichment matter?
- Iran nuclear crisis in 300 words
- Iran nuclear deal: Key details

Last week, talks were held in Vienna to try to save the nuclear deal.

After meeting representatives from Britain, France, Germany, Russia and China, a senior Iranian official said the atmosphere had been “constructive”.

## **And what about recent tanker incidents?**

Tensions between the UK and Iran rose in July after British forces seized the Iranian tanker, Grace 1, off Gibraltar. It was alleged to be carrying oil to Syria in breach of EU sanctions, a claim denied by Iran.



Media captionFootage released by Iran’s Revolutionary Guard-affiliated Fars news agency appears to show Stena Impero being seized

Several days later the British-flagged Stena Impero was impounded by Iran, which said it had been “violating international maritime rules”.

Britain sent a second warship on Sunday to escort its ships

sailing through the Strait of Hormuz.

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# Sweden's Biggest Cities Face Power Shortage After Fuel-Tax Hike



Sweden's introduction on Thursday of a tax aimed at phasing out the nation's last remaining coal and gas plants to curb global warming comes with an unintended consequence for some of its biggest cities.

Hiking threefold a levy on fossil fuels used at local power plants will make such facilities unprofitable and utilities from Stockholm Exergi AB to EON SE have said they will halt or cut power production.

The move means that grids in the capital and Malmo won't be able to hook up new facilities including homes, transport links and factories. While Sweden doesn't have a shortage of power, there's not enough cables to ship it to the biggest cities.

"We don't have a problem with generating enough power in Sweden, we have a problem with getting it to where its needed," Magnus Hall, chief executive officer of state-owned utility Vattenfall AB, said in an interview. "This law was added with short notice and I am not sure a proper analysis of it was made."

The tax was introduced in January in a budget deal between the Center Party, Liberals, Social Democrats and the Greens after record long 18 weeks of negotiations. As only one of 73 points hashed out between the political fractions to reach a compromise, time for thorough analysis was probably slim.

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## **Israel, Saudis Talked Gas Deals, Netanyahu Ally Says**



Saudi Arabia has looked into buying Israeli natural gas, according to a former member of Prime Minister Benjamin Netanyahu's cabinet, the latest sign of warming ties between two formally hostile nations.

The countries have discussed building a pipeline that would connect Saudi Arabia to Eilat, former Israeli parliamentary member Ayoub Kara, who cited conversations with "senior officials" in the region, said in an interview in Jerusalem. Eilat, the Israeli city which banks the Gulf of Aqaba and is about 40 kilometers (24.9 miles) from the border, was chosen for its proximity to Saudi Arabia.

An energy project of this magnitude would require formal diplomatic relations between Israel and Saudi Arabia and is likely to elicit political pushback. Israel remains largely unpopular in the Arab world for its treatment of Palestinians, who live under occupation in the West Bank and under siege in Gaza. Israel and Saudi Arabia have united behind closed doors in their antagonism toward Iran but formalizing an alliance may still be hard to achieve.

Kara has been one of Netanyahu's closest advisers on relations with Arab countries and was among a handful of Israeli ministers to appear publicly in a Gulf state in the past year. "This is about mutual interest," he said.

Representatives for the energy ministries in Israel and Saudi Arabia didn't respond to requests for comment. The Saudi Information Ministry's Center for International Communication also didn't respond to a request for comment.

In Saudi Arabia, Israel would find an eager partner for its emerging natural gas industry. Companies found massive quantities of gas in Israeli waters about 10 years ago but have struggled to realize the fuel's potential. The partners developing Israel's biggest reservoir, have inked \$25 billion in contracts but still have more than 80% of the reservoir untied to any buyers.

Saudi Arabia plans to invest more than six times that amount in gas over the next decade, in part to meet rising demand for cheaper electricity.

## **Regional Opposition**

Mass demonstrations broke out in Amman in 2016 after the companies developing Israel's biggest offshore gas fields signed a \$10 billion contract with Jordan, home to millions of people of Palestinian origin.

While some Saudis argue that normalizing relations with Israel is a natural merging of interests, many others vehemently oppose the idea. Public resistance to establishing relations with Israel is so strong that a group of more than 2,000 citizens from different Gulf countries circulated an online petition last year "to stop all forms of normalization with the Zionist entity." They signed their full names – a rare step in a region where freedom of expression is limited.

While leaders of the Arab world used to be united behind the



Palestinians, that support began to wane with the rise of the Iranian threat to Sunni Gulf countries, Kara said. Saudi Arabia and its regional allies now pay “lip service” to the Palestinian cause, and are seeking upgraded military and economic ties with Israel to counter Iran, he said.

Gulf states are “not interested in the Palestinian issue,” Kara said. “All they care about is the security and future of their countries.”

Part of the discussions between officials center on a new energy corridor that would connect Saudi Arabia to the Eilat-Ashkelon Pipeline in Israel. This would allow the Arab kingdom to export its oil to Europe and markets further west while skirting a sea route where the U.S. has accused Iran of carrying out several attacks against commercial ships, Kara said.

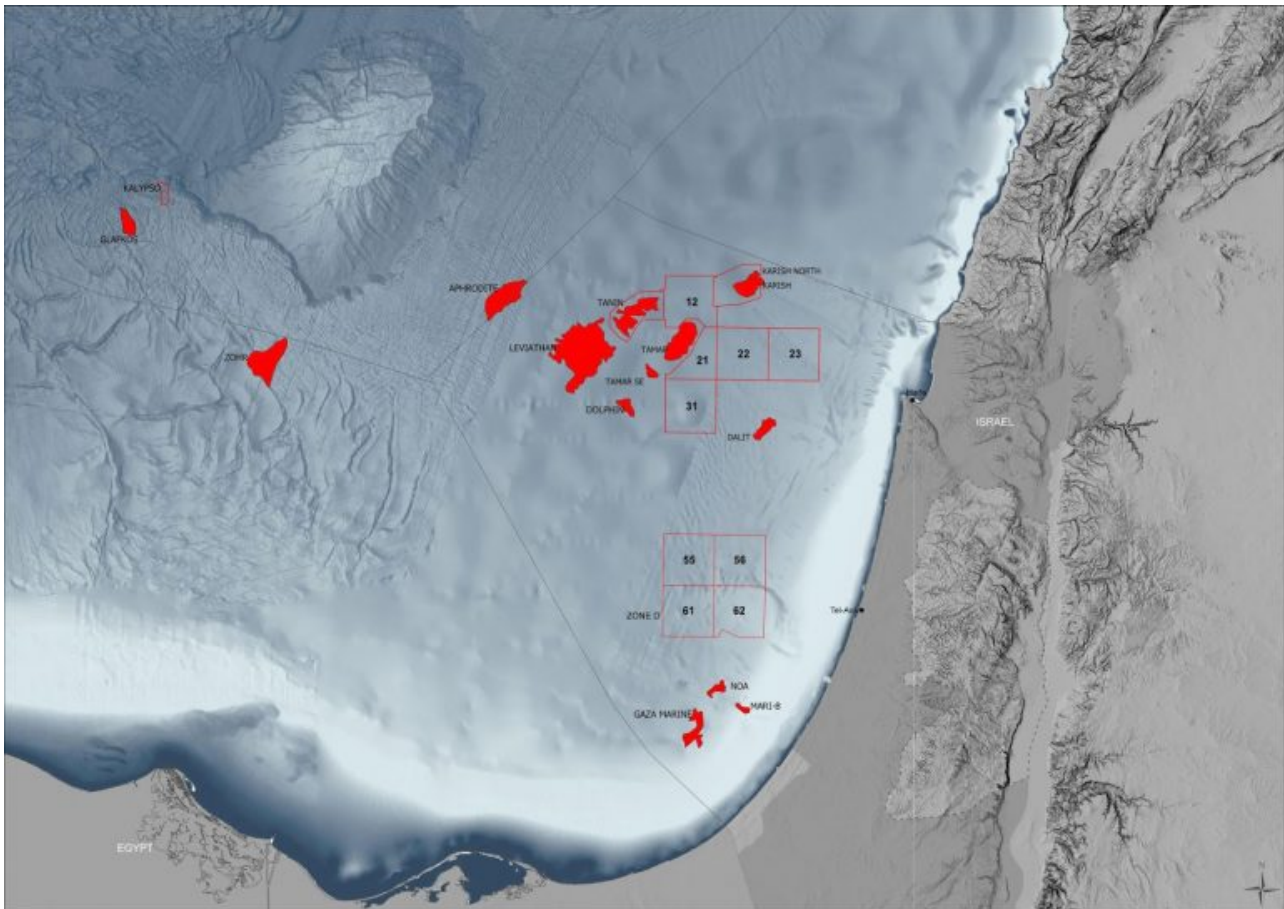
Set up in 1968, Eilat-Ashkelon Pipeline Co. was then jointly-owned by Iran and Israel and facilitated oil exports from Iran to Europe. That relationship ended after Ayatollah Ruhollah Khomeini rose to power in Tehran in 1979 and he marked Israel as an enemy to the Islamic Republic.

– *With assistance by Donna Abu-Nasr, and Vivian Nereim*

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**Four Further Licences Awarded  
to Energean for Oil and Gas  
Exploration in Israel's**

# Exclusive Economic Zone (“EEZ”) – ENERGEAN OIL & GAS



Energean Oil and Gas plc (LSE: ENOG, TASE: אנוג) is pleased to announce that Israel's Petroleum Council has awarded the Company four new licences for oil and gas exploration in the Israeli EEZ. Energean submitted its proposal in partnership with Israeli Opportunity (20%). The awarded Licences were granted for Block D, located 45 km off the Israeli coast – and include Licences 55,56,61,62 (“Zone D”), offered in the recent Bid Round published by the Israeli Ministry of Energy. Energean has identified a prospect within Zone D analogous to the prolific Tamar Sand fields (Karish, Tamar, Leviathan etc) offshore Israel. The prospect is believed to extend towards the SW of the license contingent to further seismic processing. A relatively shallow Mesozoic prospect was also identified (four way closure).

Mathios Rigas, CEO of Energean, stated: “Energean has proven its ability and commitment to explore and develop resources in a timely and cost efficient manner in the East Med. The addition of the 4 new licenses contained in Zone D adds further upside potential to our portfolio”.

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## **Edison unexpectedly pulls out of Royee license**



**An exploratory drilling in January at the Israeli offshore field, which has a 36% geological probability of containing 100 BCM in natural gas, has been cancelled.**

Edison E&P has unexpectedly quit the Royee license just a short while before a planned exploration drilling was due to begin.

Ratio Oil Exploration (1992) LP (TASE:RATI.L) owns 70% of the license and Israel Opportunity has a 10% stake, while Edison has a 20% stake. But Edison is the operating partner with the experience in drilling. In a brief announcement Edison said, "The current circumstances compel us to our regret to resign from the license."

Greek company Energean plc (LSE: ENOG; TASE: ENOG), which recently acquired Edison declined to comment. However, sources close to Energean pointed out that the acquisition of Edison is yet to be completed.

In effect, Edison's announcement means that the exploration drilling scheduled for January is cancelled. The Royee license is due to expire in April after seven years in which the Ministry of National Infrastructures, Energy and Water Resources extended it for as long as is possible under the law. As the operator Edison was responsible for carrying out the drilling in January but suspicions were raised when no official announcement about the start of drilling was issued.

The Royee offshore license is in a block off of Israel's southern Mediterranean coast bordering Egyptian waters. A survey conducted by Netherland Sewell & Associates (NSAI) Oil & Gas Consulting in May 2017 estimated a 36% geological probability of finding 3.4 trillion cubic feet (TCF) (100 billion cubic meters) of natural gas in the Royee license.

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**Qatar's fiscal balance/GDP set to rise to 4.6% in 2023:**

# FocusEconomics



Qatar's fiscal balance as a percentage of GDP is set to rise to 4.6% in 2023 from an estimated 1.3% this year, FocusEconomics said.

The current account balance (as a percentage of the country's GDP) will be 6.6% in 2023 compared with 6.7% in 2019.

Qatar's merchandise trade balance, FocusEconomics said in its latest economic update, will be \$55.1bn in 2023. This year, it will account for \$46.7bn.

Qatar's gross domestic product is expected to reach \$239bn by 2023, it said. By the year-end, Qatar's GDP may total \$196bn.

Qatar's economic growth in terms of nominal GDP will reach 5.2% in 2023 from 2.3% by the year-end.

The researcher said Qatar's public debt will fall gradually until 2023, and is estimated to be 51.7% this year, 48.4% (in 2020), 45.3% (in 2021), 42.7% (in 2022) and 40% (in 2023).

International reserves may exceed \$43bn in 2023, from the current \$37.7bn; FocusEconomics estimated and noted it will cover 12.1 months of country's imports.

The country's inflation, the report noted, will be 2.1% in 2023 and 0.1% this year.

Qatar's unemployment rate (as a percentage of active population) will remain a meagre 0.2% in 2023, unchanged from this year.

According to FocusEconomics, the economy posted a "modest acceleration" to 0.9% year-on-year growth in the first quarter (Q1) after a "weak" 0.5% out-turn in Q4 last year.

Q1's expansion was driven by the mining and quarrying sector's return to growth for the first time since Q4, 2017.

Meanwhile, the manufacturing sector also posted a "solid" turnaround.

"The economy should gather momentum this year, driven mainly by a recovery in the energy sector and stronger government

consumption growth.

“Consumer prices fell 0.4% in annual terms in June (May -0.7% year-on-year). Going forward, inflation should return later this year on stronger economic activity and a supportive base effect, but remain anaemic nonetheless.”

FocusEconomics panellists expect inflation to average 0.1% in 2019, which is down 0.5 percentage points from last month’s forecast, and 2.3% in 2020.

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## Alumina market roller coaster spins price to two-year lows



By Andy Home

LONDON, July 30 (Reuters) – The alumina market has collapsed over the last three months with both Chinese and Western prices now at their lowest levels in two years.

The action in China has been particularly brutal. Spot prices surged to a six-month high of 3,170 yuan per tonne in May as production in the province of Shanxi was disrupted by environmental closures.

So violent has been the subsequent sell-off to below 2,500 yuan that producers are now voluntarily cutting output to try to support prices.

Since alumina is the key metallic input to the aluminium smelting process, bombed-out alumina prices are bad news for an aluminium market that is itself treading heavy water right now.

The London Metal Exchange (LME) three-month aluminium price is currently trading just above the \$1,800 per tonne level after touching an 18 month low of \$1,745 in June.

Lower alumina prices serve to lower the aluminium production cost-curve, the break-even point for smelters that helps define the market's downside.

Global smelter profitability is once again beholden to the gyrations of the alumina price with still little evidence that such volatility is being hedged in either the CME Group's or LME's new futures contracts.

## **THE RETURN OF ALUNORTE**

The CME alumina price, tellingly, never reacted to the May spike in the Chinese price but rather kept grinding lower to today's \$305 per tonne, a level last visited in June 2017.

The core driver has been the return of the giant 6.3-million tonne per year capacity Alunorte plant in Brazil.

Alunorte had been operating at half capacity since February 2018 under a court order related to allegations of run-offs from a tailings dam holding the "red mud" generated in the

refining process.

Operator Hydro was given clearance to resume full output in May this year and Alunorte was already running at 80-85% capacity in June, the company said in its Q2 results. That should rise to 85-95% in the fourth quarter.

Alunorte's return closes a supply gap in the Western market which had to be filled by Chinese exports, an unusual occurrence in the alumina market.

Chinese exports mushroomed to 1.5 million tonnes last year from just 56,000 tonnes in 2017.

The tide has since turned. Exports have dropped off sharply and the country has returned to being a net importer since January.

The extra supply is no longer needed thanks to the return of Alunorte, the continuing ramp-up of new capacity by Emirates Global Aluminium and stagnant aluminium production.

Metal output outside of China was down by 0.6% in the first half of 2019, according to the International Aluminium Institute.

## **CHINESE BOOM AND BUST**

Chinese alumina prices have boomed and bust in the space of just three months.

Environmental closures in May, triggered by a "red mud" leak at Xinfu Group's Jiaokou alumina refinery in Shanxi, spooked the local supply chain.

Any impact from those closures, however, has been fleeting. National output dipped appreciably in May but has since bounced back to 6.41 million tonnes in June, the highest monthly run-rate since May 2017.



Cumulative alumina output rose by 3% in the first half of the year and with China's own aluminium production also flat-lining this year, analysts at Morgan Stanley calculate a 200,000-300,000 tonne surplus in the country. ("Stopping alumina's slide", July 29, 2019).

Previous fears of a supply shortfall have been rapidly dialled back and spot prices are now at a level where higher-cost producers in northern regions are suffering "serious losses", according to Antaika, the research arm of the China Nonferrous Metals Industry Association.

Producers have announced a collective temporary curtailment of 1.5 million tonnes, Antaika says.

As ever with such coordinated announcements by Chinese producers, there's an element of window-dressing previously scheduled maintenance work, but the real significance is what it says about the margin pain occasioned by falling prices.

Higher-cost producers have in the past been able collectively to support prices around \$300 per tonne but with alumina's own input costs falling, it remains to be seen how disciplined supply will be this time around.

There is growing speculation among analysts that China's alumina sector is heading for the same sort of structural reform treatment already imposed on the smelter segment of the production chain.

That might be a source of long-term support to the alumina price but for now it's down to whether Chinese producers can curtail output sufficiently to balance the domestic market.

## **RIDING THE ROLLER COASTER**

Alumina has been on a high-tempo, high-volatility price trajectory over the last couple of years.

It was above \$600 per tonne as recently as September 2018 before crashing to its current producer pain levels.

The price of alumina was once linked to that of aluminium. Producers embraced spot trading several years ago, arguing that alumina supply-demand fundamentals were different from those of the metallic product.

They have turned out to be right, although not perhaps in the way they imagined. Alumina has turned out to be a much more volatile package of drivers than aluminium.

What's curious is that all this volatility hasn't inspired much interest in using the paper market to hedge price risk.

The LME's newly-launched alumina contract didn't trade at all through June. CME's contract, which started trading in 2016, has seen only sporadic volumes since inception. Activity this year has almost totally dried up with just 240 contracts traded in January-June.

The Shanghai Futures Exchange (ShFE) is undeterred and has promised its own contract later this year.

It's possible that last year's high prices actively deterred producer hedging interest but with the outlook increasingly bearish, that might change.

#### ADVERTISEMENT

Morgan Stanley sees "near term price support around \$300 per tonne, with risk to the downside".

However, given the excitement of the last two years, you wouldn't bet against a few more spins of what Antaika calls the alumina "roller coaster".

(\$1 = 6.8876 yuan)