

# I Am Part of the Resistance Inside the Trump Administration



I work for the president but like-minded colleagues and I have vowed to thwart parts of his agenda and his worst inclinations.

The Times is taking the rare step of publishing an anonymous Op-Ed essay. We have done so at the request of the author, a senior official in the Trump administration whose identity is known to us and whose job would be jeopardized by its disclosure. We believe publishing this essay anonymously is the only way to deliver an important perspective to our readers. We invite you to submit a question about the essay or our vetting process [here](#).

President Trump is facing a test to his presidency unlike any faced by a modern American leader.

It's not just that the special counsel looms large. Or that the country is bitterly divided over Mr. Trump's leadership. Or even that his party might well lose the House to an opposition hellbent on his downfall.

The dilemma – which he does not fully grasp – is that many of the senior officials in his own administration are working diligently from within to frustrate parts of his agenda and his worst inclinations.

I would know. I am one of them.

To be clear, ours is not the popular “resistance” of the left. We want the administration to succeed and think that many of its policies have already made America safer and more

prosperous.

But we believe our first duty is to this country, and the president continues to act in a manner that is detrimental to the health of our republic.

That is why many Trump appointees have vowed to do what we can to preserve our democratic institutions while thwarting Mr. Trump's more misguided impulses until he is out of office.

The root of the problem is the president's amorality. Anyone who works with him knows he is not moored to any discernible first principles that guide his decision making.

Although he was elected as a Republican, the president shows little affinity for ideals long espoused by conservatives: free minds, free markets and free people. At best, he has invoked these ideals in scripted settings. At worst, he has attacked them outright.

In addition to his mass-marketing of the notion that the press is the "enemy of the people," President Trump's impulses are generally anti-trade and anti-democratic.

Don't get me wrong. There are bright spots that the near-cessless negative coverage of the administration fails to capture: effective deregulation, historic tax reform, a more robust military and more.

But these successes have come despite – not because of – the president's leadership style, which is impetuous, adversarial, petty and ineffective.

From the White House to executive branch departments and agencies, senior officials will privately admit their daily disbelief at the commander in chief's comments and actions. Most are working to insulate their operations from his whims.

Meetings with him veer off topic and off the rails, he engages in repetitive rants, and his impulsiveness results in half-

baked, ill-informed and occasionally reckless decisions that have to be walked back.

“There is literally no telling whether he might change his mind from one minute to the next,” a top official complained to me recently, exasperated by an Oval Office meeting at which the president flip-flopped on a major policy decision he’d made only a week earlier.

The erratic behavior would be more concerning if it weren’t for unsung heroes in and around the White House. Some of his aides have been cast as villains by the media. But in private, they have gone to great lengths to keep bad decisions contained to the West Wing, though they are clearly not always successful.

It may be cold comfort in this chaotic era, but Americans should know that there are adults in the room. We fully recognize what is happening. And we are trying to do what’s right even when Donald Trump won’t.

The result is a two-track presidency.

Take foreign policy: In public and in private, President Trump shows a preference for autocrats and dictators, such as President Vladimir Putin of Russia and North Korea’s leader, Kim Jong-un, and displays little genuine appreciation for the ties that bind us to allied, like-minded nations.

Astute observers have noted, though, that the rest of the administration is operating on another track, one where countries like Russia are called out for meddling and punished accordingly, and where allies around the world are engaged as peers rather than ridiculed as rivals.

On Russia, for instance, the president was reluctant to expel so many of Mr. Putin’s spies as punishment for the poisoning of a former Russian spy in Britain. He complained for weeks about senior staff members letting him get boxed

into further confrontation with Russia, and he expressed frustration that the United States continued to impose sanctions on the country for its malign behavior. But his national security team knew better – such actions had to be taken, to hold Moscow accountable.

This isn't the work of the so-called deep state. It's the work of the steady state.

Given the instability many witnessed, there were early whispers within the cabinet of invoking the 25th Amendment, which would start a complex process for removing the president. But no one wanted to precipitate a constitutional crisis. So we will do what we can to steer the administration in the right direction until – one way or another – it's over.

The bigger concern is not what Mr. Trump has done to the presidency but rather what we as a nation have allowed him to do to us. We have sunk low with him and allowed our discourse to be stripped of civility.

Senator John McCain put it best in his farewell letter. All Americans should heed his words and break free of the tribalism trap, with the high aim of uniting through our shared values and love of this great nation.

We may no longer have Senator McCain. But we will always have his example – a lodestar for restoring honor to public life and our national dialogue. Mr. Trump may fear such honorable men, but we should revere them.

There is a quiet resistance within the administration of people choosing to put country first. But the real difference will be made by everyday citizens rising above politics, reaching across the aisle and resolving to shed the labels in favor of a single one: Americans.

The writer is a senior official in the Trump administration.

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# **Le Yémen, cimetière des ambitions régionales saoudiennes et émiraties?**



**Comme pendant le Vietnam, le plus grand n'est pas en passe de gagner loin s'en faut. Le Yémen pourrait être le cimetière des ambitions de MBS et de celui de MBZ.**

La guerre au Yémen, qui pour l'Arabie Saoudite et les Emirats-Arabs-Unis semble être avant tout une histoire de politique interne quatre ans après son début, n'en finit pas... de ne pas finir. Les Printemps arabes se sont éteints les uns après les autres mais des chantiers à ciel ouvert restent sous le feu de la géopolitique mondiale et des conflits d'intérêts locaux: le sud de la péninsule arabique en fait partie.

Qualifiée souvent de "pire crise humanitaire de la planète", la guerre menée au sommet par Mohamed Ben Salmane, prince héritier du royaume d'Arabie Saoudite, et également sur le terrain par Abu Dhabi, a déjà fait près de 10.000 morts. Choléra et diphtérie ravagent le pays. Près de 2 millions de déplacés ont tout perdu dans le pays selon l'ONU. Un enfant y meurt toutes les dix minutes. Aujourd'hui, la volonté de MBS et de Mohamed Ben Zayd (MBZ) d'en finir avec les "rebelles" houthis soutenus par l'Iran et en partie aux manettes de la

capitale Sanaa est claire. Il n'y a pas d'alternative ni de négociation possible entre les deux parties. Le choix de fierté de vouloir en finir définitivement avec la rébellion au prix du plus grand nombre de morts, et par tous les moyens est ancré dans le code génétique des deux dirigeants, comme le souhait de maintenir leur zone d'influence de façon autoritaire et ne rien céder à Téhéran. Les deux frères ennemis de la région sont en train de provoquer un cataclysme régional et humain qui aura de lourdes conséquences pour les prochaines décennies.

Depuis les révolutions arabes, quelque uns ont bénéficié du droit international alors que beaucoup subissent son inapplication pratique. L'Arabie Saoudite parce que premier allié de l'Occident, pays stratégique et plus grand pays a les mains libres et a été propulsé chef de la coalition anti-terroriste dans la région. Cela valait pour Daech comme pour les Houthis. Quitte à provoquer l'effondrement du Conseil de Coopération des pays du Golfe qui était un puissant outil politique en isolant le Qatar et en l'accusant d'être lui le foyer du terrorisme régional. Combien de morts auraient provoqué le Qatar? La cabale médiatique orchestrée contre Doha a largement désormais joué en faveur de la vérité: Arabie Saoudite et Emirats-Arabes-Unis se retrouvent les arroseurs arrosés.

Ils sont désormais prêts à détruire un pays en bombardant des civils, bombardements multiples à l'aveugle déjà largement condamnés par la communauté internationale. Mais aussi à torturer comme les accusations régulières contre les Emirats le montrent dans la presse. Chaque jour qui s'ajoute dans cette guerre, ne change rien au soutien indéfectible du seul allié délocalisé qui veille pour l'Arabie Saoudite dans sa politique autoritaire et suicidaire: celui des Etats-Unis. Donald Trump est bien là et l'oncle Sam continue à apporter son soutien au pivot stratégique que représente Ryad, le seul à même selon lui de contrebalancer les effets de l'expansion

iranienne dans la région. L'Arabie Saoudite, prête à tout? Oui puisque les révélations depuis plusieurs semaines s'enchaînent et montrent comment le royaume saoudien pas rancunier et son allié émirati ont été jusqu'à payer des djihadistes... d'Al Qaïda pour en finir avec les Houthis. Cela tombe bien: Al Qaïda comme Daech d'ailleurs n'ont jamais caché que le fondement idéologique de leur action remontait aux sources du salafisme et du wahabisme saoudien, idéologie mondialement diffusée comme une traînée de poudre depuis les années 1980 du désert jusqu'aux banlieues européennes pour soi-disant contrer la révolution chiite.

Quoi qu'il en soit, au nom de l'intérêt supérieur, l'action du chef de file de la coalition contre Daech se met désormais à user des mêmes méthodes de terrorisme d'État que les Américains qui financèrent tous ceux qui pouvaient en finir avec le communisme en Afghanistan par exemple en 1979 également: cela veut donc dire islamistes et djihadistes compris. C'est ainsi que naquirent et se répandirent les idéologies djihadistes violentes les plus violentes de l'histoire qui nous menacent encore dans le monde aujourd'hui. Bien sûr de telles alliances contre-nature sont sujettes à toutes les tensions depuis le début. Mais même si elles sont à géométrie variable et que les USA sont au courant depuis le début de ces liaisons dangereuses entre les Saoudiens, les Emiratis et Al Qaïda, ils ont préféré tout miser pour espérer l'anéantissement du mouvement houthi soutenu par l'ennemi absolu, l'ennemi perse. Comme pendant le Vietnam, le plus grand n'est pas en passe de gagner loin s'en faut. Le Yémen pourrait être le cimetière des ambitions de MBS et de celui de MBZ, tant l'impuissance de ce puissant pays qu'est l'Arabie Saoudite à venir à bout de ce petit mouvement de rébellion tel qu'on nous l'a présenté, risque bien de faire perdre la face aux Saoudiens. Mais pas seulement: l'Arabie Saoudite, qui est en grand danger économique, a lancé à grands renforts de communication sa "Vision 2030", vaste programme censé apporter modernisation et diversification à l'économie et libération des mœurs. Or, depuis l'enchaînement des échecs pour MBS (Affaire du Ritz, Qatar et Yémen), le pays se referme de nouveau et le pouvoir autoritaire et impulsif du prince

héritier risquerait bien de jouer contre le pays tout entier. 2030 c'est encore très loin. Et derrière, c'est toute l'incompréhension croissante de l'Amérique de la région qui couve et menace.

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# Secular stagnation an excuse for flawed economic policies



By Joseph E. Stiglitz New York

In the aftermath of the 2008 financial crisis, some economists argued that the United States, and perhaps the global economy, was suffering from “secular stagnation,” an idea first conceived in the aftermath of the Great Depression.

Economies had always recovered from downturns. But the Great Depression had lasted an unprecedented length of time. Many believed that the economy recovered only because of government spending on World War II, and many feared that with the end of the war, the economy would return to its doldrums.

Something, it was believed, had happened, such that even with low or zero interest rates, the economy would languish. For reasons now well understood, these dire predictions fortunately turned out to be wrong.

Those responsible for managing the 2008 recovery (the same individuals bearing culpability for the under-regulation of the economy in its pre-crisis days, to whom president Barack Obama inexplicably turned to fix what they had helped break) found the idea of secular stagnation attractive, because it explained their failures to achieve a quick, robust recovery. So, as the economy languished, the idea was revived: Don't blame us, its promoters implied, we're doing what we can.

The events of the past year have put the lie to this idea, which never seemed very plausible. The sudden increase in the US deficit, from around 3% to almost 6% of GDP, owing to a poorly designed regressive tax bill and a bipartisan



expenditure increase, has boosted growth to around 4% and brought unemployment down to a 18-year low. These measures may be ill-conceived, but they show that with enough fiscal support, full employment can be attained, even as interest rates rise well above zero.

The Obama administration made a crucial mistake in 2009 in not pursuing a larger, longer, better-structured, and more flexible fiscal stimulus. Had it done so, the economy's rebound would have been stronger, and there would have been no talk of secular stagnation. As it was, only those in the top 1% saw their incomes grow during the first three years of the so-called recovery.

Some of us warned at the time that the downturn was likely to be deep and long, and that what was needed was stronger and different from what Obama proposed. I suspect that the main obstacle was the belief that the economy had just experienced a little "bump," from which it would quickly recover. Put the banks in the hospital, give them loving care (in other words, hold none of the bankers accountable or even scold them, but rather boost their morale by inviting them to consult on the way forward), and, most important, shower them with money, and soon all would be well.

But the economy's travails were deeper than this diagnosis suggested. The fallout from the financial crisis was more severe, and massive redistribution of income and wealth toward the top had weakened aggregate demand. The economy was experiencing a transition from manufacturing to services, and market economies don't manage such transitions well on their own.

What was needed was more than a massive bank bailout. The US needed a fundamental reform of its financial system. The 2010 Dodd-Frank legislation went some way, though not far enough, in preventing banks from doing harm to the rest of us; but it did little to ensure that the banks actually do what they are supposed to do, focusing more, for example, on lending to small and medium-size enterprises.

More government spending was necessary, but so, too, were more active redistribution and pre-distribution programmes – addressing the weakening of workers' bargaining power, the agglomeration of market power by large corporations, and corporate and financial abuses. Likewise, active labour-market

and industrial policies might have helped those areas suffering from the consequences of deindustrialisation.

Instead, policymakers failed to do enough even to prevent poor households from losing their homes. The political consequences of these economic failures were predictable and predicted: it was clear that there was a risk that those who were so badly treated would turn to a demagogue.

A fiscal stimulus as large as that of December 2017 and January 2018 (and which the economy didn't really need at the time) would have been all the more powerful a decade earlier when unemployment was so high. The weak recovery was thus not the result of "secular stagnation"; the problem was inadequate government policies.

Here, a central question arises: Will growth rates in coming years be as strong as they were in the past? That, of course, depends on the pace of technological change. Investments in research and development, especially in basic research, are an important determinant, though with long lags; cutbacks proposed by the Trump administration do not bode well.

But even then, there is a lot of uncertainty. Growth rates per capita have varied greatly over the past 50 years, from between 2 and 3% a year in the decade(s) after World War II to 0.7% in the last decade. But perhaps there's been too much growth fetishism – especially when we think of the environmental costs, and even more so if that growth fails to bring much benefit to the vast majority of citizens.

There are many lessons to be learned as we reflect on the 2008 crisis, but the most important is that the challenge was – and remains – political, not economic: there is nothing that inherently prevents our economy from being run in a way that ensures full employment and shared prosperity. Secular stagnation was just an excuse for flawed economic policies. Unless and until the selfishness and myopia that define our politics – especially in the US – is overcome, an economy that serves the many, rather than the few, will remain an impossible dream. Even if GDP increases, the incomes of the majority of citizens will stagnate. – Project Syndicate

*\*Joseph E. Stiglitz is the winner of the 2001 Nobel Memorial Prize in Economic Sciences. His most recent book is Globalization and its Discontents Revisited: Anti-Globalization in the Era of Trump.*

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# Oil Seen Getting \$4 a Barrel Boost on Tough New Ship-Fuel Rules



New regulations to curb pollution from the world's shipping fleet could lift crude prices by \$4 a barrel when the measures come into effect in 2020, according to a Bloomberg survey of 13 oil industry analysts.

That's because the changes from the International Maritime Organization, a United Nations agency, are likely to stoke refiners' demand for lower-sulfur crude while prompting some plants to run as hard as possible to maximize profits.

"It will be a Wild West leading up to the implementation phase," said Michael Poulsen, an analyst at A/S Global Risk Management Ltd. in Denmark. "The market anticipates that we will see a lot of weird movements and funny pricing around the end of 2019."

In just 16 months, the IMO's rules to cap the sulfur content of ship fuel are set to create a once-in-a-generation upheaval in the oil market, as the regulator seeks to limit emissions of a pollutant that has been linked to asthma and acid rain. The global shipping fleet is reliant on refiners to supply IMO-compliant fuels, and it's not clear there will be enough to go around. Prices for low-sulfur products are already climbing, while those for high-sulfur grades are collapsing.

A similar effect is expected in the crude markets. Banks including Societe Generale SA and Morgan Stanley have said the regulations will likely lift crude benchmarks Brent and West Texas Intermediate, which have a relatively low sulfur content. Brent's premium to higher-sulfur Dubai crude, the

Middle East benchmark, has already swelled to more than \$4 a barrel in 2020.

## **\$128 Billion**

Bloomberg asked analysts to estimate the likely price effects of the regulatory change. Crude prices are forecast to rise by \$4 a barrel in 2020 due to the IMO rules specifically, according to the median estimate of 13 responses that ranged from a \$2 drop to a \$20 increase per barrel.

“Of our \$90 a barrel Brent price forecast by early 2020, we’d argue that \$5-\$10 a barrel will come from IMO 2020,” said Morgan Stanley analyst Martijn Rats. The shift in demand to less-polluting oil products will mean that “without investing in more upgrading units, refiners will simply need to process more crude,” he said.

By 2020, global crude oil demand is set to rise by 2 percent to 87.7 million barrels a day, according to a forecast from the Paris-based International Energy Agency in March. If crude prices surge by \$4 a barrel due to the IMO rules, that would amount to an increase of about \$128 billion in the world’s oil bill by 2020, Bloomberg calculations show. Brent crude, the global benchmark, is now trading near \$77.50 a barrel.

## **Ship Scrubbers**

While the majority of those surveyed agreed the rules will probably have a bullish effect on crude, some were more reticent. That’s because ships have the option of installing so-called scrubbers allowing them to keep burning high-sulfur fuels while limiting emissions of the pollutant.

“More and more ships will install scrubbers and therefore reduce the demand for extra barrels,” said HSH Nordbank AG analyst Jan Edelmann, who saw no impact on crude prices from the regulations. “We believe that there is sufficient light-

sweet crude available from shale to meet extra demand from IMO 2020.”

Companies that make scrubbers, including Wartsila Oyj and Alfa Laval AB, reported bumper orders in their most recent earnings. However, the vast majority of the world’s commercial fleet – some 93,000 vessels – will not have installed scrubbers, which can cost millions of dollars, by 2020.

Also see: Maersk Sees Fuel Bill Soaring by \$2 Billion From 2020 Rules

The IMO’s regulations are likely to ripple through industries that purchase fuel, such as airlines and power producers. Because of this broad reach, some analysts contacted by Bloomberg said they couldn’t yet forecast crude prices for 2020 or the effect of the IMO rule change specifically.

The brunt of the regulatory shift is likely to be felt in refined-product markets, as shippers abandon high-sulfur fuel oil in favor of cleaner alternatives, like gasoil or diesel-like fuel that can be blended into IMO-compliant ship propellant. Benchmark gasoil prices in Europe are set to rise by about \$17 a barrel by 2020, according to the median estimate from nine analysts who provided figures on the fuel.

The strength in oil product prices may help to lift crude, too. Nine of 13 respondents said the IMO regulations will be positive for refining margins. Rising profits would encourage refineries to boost crude purchases, potentially lifting the feedstock’s price.

“We believe the extraordinary strength in distillate cracks will cause refiners to run as hard as they can,” Societe Generale SA analysts including Mark Keenan wrote in a report earlier this month. “This very strong crude demand will add \$5 to sweet crude prices.”

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# OPEC, non-OPEC seek to formalize oil policy coordination: draft charter



DUBAI (Reuters) – OPEC and non-OPEC oil producers will aim to formalize their long-term cooperation later this year by approving a charter that will make possible further joint action on output, according to a draft charter seen by Reuters.

Russia and several other non-OPEC countries have joined OPEC producers in reducing oil output since 2017 in a move that has helped raise oil prices to \$80 per barrel from less than \$30.

Moscow and Riyadh have said they want to maintain a close level of cooperation even after the oil market stabilizes and the current output reduction deal expires.

The draft charter, to be discussed by OPEC and non-OPEC minister later this year, said its fundamental objective is to coordinate policies aimed at stabilizing oil markets in the interest of producers, consumers, investors and the global economy.

The charter also aims to promote better understanding of oil market fundamentals among participants as well as to promote oil and gas in the global energy mix for the long term.

It said ministers of participating countries shall meet once a year while experts should meet twice a year. The ministers shall propose actions including possible summits by heads of state.

The charter's secretariat will be hosted by the OPEC secretariat in Vienna but will be independent.

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## Saudi bulls retreat as Aramco letdown adds to policy shocks



Bloomberg/Dubai

The Arab world's biggest bourse is losing its appeal to foreigners just two months after it won inclusion in MSCI Inc's emerging-market index.

That's because the initial euphoria surrounding Crown Prince Mohammed bin Salman's efforts to overhaul the nation's economy has given way to scepticism as the kingdom put on hold the initial public offering of oil giant Aramco.

A dispute over Canada's criticism of the jailing of Saudi rights activists has also heightened concerns over the prince's increasingly assertive policy and the impact it would have on capital flows.

Overseas money managers turned net sellers of Saudi stocks in six of the past eight weeks after MSCI said it will include the country in its emerging-market equity indexes starting June 2019.

Global factors, including the roll-back of crisis-era stimulus and a global trade skirmish, have also dented demand for riskier assets.

The selling in Saudi stocks by foreign investors has become more widespread, reflecting concerns "about stalling or even reversed reforms," said Marshall Stocker, a Boston-based portfolio manager at Eaton Vance Corp whose fund isn't invested in the kingdom. "Until we see a commitment to firmly

adopting policies which lead to an increase in economic freedom, we doubt the Saudi Arabian equity market will outperform.”

Overseas investors pulled a net 660.6mn riyals (\$176mn) from Saudi equities in the eight weeks ended August 16.

In contrast, they had poured \$153mn in the eight weeks leading up to MSCI’s announcement.

The oil-rich kingdom’s key stock index has dropped 5.8% from a peak in July, curbing its advance this year to 11%.

While its 2018 gain is considerable compared to the almost 8% drop in emerging-market stocks, the gauge is lagging measures in neighbouring Qatar and Abu Dhabi.

Saudi Arabia had gone to great lengths in recent months to suggest that change may now be in the air, giving women the right to drive and reopening cinemas. But in recent months, women’s-rights activists have been imprisoned and prosecutors are currently seeking to behead Israa al-Ghomgham, who participated in anti-government protests in the eastern part of the country. Then there’s the kingdom’s clash with Canada.

Saudi Arabia froze diplomatic ties and new business deals with the North American nation this month for criticising its treatment of women activists. The decision to shelve Aramco’s IPO – billed as potentially the world’s biggest – in part reflects the kingdom’s much stronger fiscal position, given the government’s spending reform and rise in

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## Tug of war for oil sector looking to feast after famine



STAVANGER, Norway (Reuters) – After years of restraint since crude prices slumped in 2014, oil services companies are now



at loggerheads with producers as they battle for what they see as a fair share of the sector recovery.

Oil industry suppliers say they have cut costs and prices to the bone and the recent rebound in crude justifies better rewards for anything from rigs to logistics and engineering services.

Their overtures have met with stubborn resistance from producers. But there are increasing signs that something has to give, including recent strikes at North Sea platforms.

“The cost savings that we have achieved over the past three years are not sustainable,” said Thierry Pilenko, Executive Chairman of TechnipFMC (FTI.N), one of the world’s biggest oil services groups.

“A rig that was once at \$600,000 day is now at \$150,000, which is not even cash breakeven,” he added, referring to rig rental rates. “Cost inflation will come back ... The drilling industry working below breakeven is not sustainable.”

The oil market is cyclical by nature – if crude prices fall, so does investment and then output, which in turn drives up prices – and oil services companies ride the rollercoaster by using the upturns to raise their prices to offset the downturns.

Global exploration and production spending shot up by a quarter in 2005, fell 8 percent in 2009, jumped by about 12 percent two years later and then tanked by more than a fifth in 2016, according to data from consultancy firm Rystad Energy.

Consequently, average rig rates that were about \$200,000 for a floating rig in 2005 more than doubled by 2012 and then fell to about \$160,000 last year, Rystad said.

“It is still a feast or famine cycle,” the CEO of oilfield

services group Baker Hughes (BHGE.N), Lorenzo Simonelli, told an industry conference in the Norwegian oil capital of Stavanger.

After benchmark oil futures contracts LC0c1 slumped from more than \$110 a barrel in 2014 to less than \$30 in early 2016, oil producers cut spending drastically and promised shareholders that cost discipline was here to stay.

GRAPHIC – Boom and Bust Cycles of Oil Services Sector: [tmsnrt.rs/2wppPke](https://tmsnrt.rs/2wppPke)

Signs of rising rates have begun to emerge in the United States, but oil producers are loath to put the genie back in the bottle.

“There might be pressure on costs, but we will never forget what we have learned,” Equinor Chief Executive Eldar Saetre told the Stavanger conference.

Indeed, Equinor’s announcement on Tuesday that it plans to drill 3,000 production and exploration wells off Norway during the next two decades came with a caveat.

“There is no room for cost inflation in those plans,” said Arne Sigve Nylund, head of Equinor’s Norwegian operations.

“We need to deliver at the same level we are now ... I call on suppliers to work with us on how to deliver at the lowest possible cost.”

## **COLLABORATIVE APPROACH?**

But with oil now trading around \$75 a barrel, strikes at several of Total’s (TOTF.PA) North Sea offshore platforms are testimony to an industry wrestling with keeping efficiencies high and costs down.

The way contracts are structured between producers and services will be key to the future level of costs.

“There is a big dichotomy now. Some of the contractors are expecting to see price increases. They are almost saying ‘it’s my turn now’,” Luis Araujo, CEO of oil services company Aker Solutions (AKSOL.OL), said.

“I don’t buy into that. I think we should work together.”

Araujo pointed to clients such as Aker BP (AKERBP.OL) offering contracts more akin to “incentive schemes” than ways to squeeze margins.

“In the future, maybe suppliers are going to get paid by performance. So instead of getting paid by the daily rates, (you) will be paid by how many meters you can drill.”

Equinor’s Saetre put it even more succinctly at the Stavenger conference, with the words of U.S. rock star Bruce Springsteen emblazoned on the big screen: “Nobody wins unless everybody wins.”

But given oil producers’ own constraints, the message might not have trickled through quite yet.

“We have to be a bit cautious because the guys doing the presentations are the leaders. But then there is the next layer in line who are being educated to squeeze suppliers and not collaborate,” Araujo said.

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## **Gazprom Q2 profit jumps to**

# \$3.8bn on rising energy prices, sales



Russian gas giant Gazprom reported a surge in second-quarter net profit, beating analysts' expectations, as it benefited from rising energy prices.

It said second-quarter net profit jumped to 259bn roubles (\$3.8bn), from 48bn roubles in the year-earlier period and above a forecast of 228bn roubles in a Reuters survey of analysts. Gazprom's shares were up 1.1% after the results, outperforming the broader Moscow stock market, which was 0.8% higher. Gazprom shipped more than 101bn cubic metres of natural gas to the EU and Turkey in the first half of the year, up 6% year-on-year and accounting for around a 34% share of Europe's gas market. It said its average gas export price rose by a quarter to 13,858 roubles per 1,000 cubic metres in the first half of this year. Total sales in April-June increased to 1.83tn roubles, from 1.39tn roubles in the second quarter of 2017.

Petrofac Profits at UK oilfield services provider Petrofac Ltd rose 20% in the first half of 2018 as a recovery in global crude prices drove activity, although the company said it remained some way off being able to raise prices.

The results bode well for a refocusing on core business after a difficult period marred by investments in production that fell afoul of the 2014 collapse in oil prices. The company's main measure of profit rose to \$190mn compared to \$158mn a year earlier, excluding a \$207mn charge for losses on oil asset sales and helped by some of its remaining upstream businesses swinging into the black. Chief financial officer

Alastair Cochran told Reuters that Petrofac would continue on a course that has seen it agree sales of \$800mn in mostly oil-producing assets this year. "We are delivering on that core strategic ambition of reducing capital intensity (and) ... the capital-intensive businesses in Petrofac are the IES (Integrated Energy Services) upstream businesses," he said. "There is not much left in the portfolio once we complete these divestments." Petrofac shares fell 41% last year, but have rebounded 30% this year as chief executive Ayman Asfari delivered on his promise to get back to basics. He has been helped by a tripling of oil prices since 2016.

"Petrofac had a helping hand from higher oil prices in the first half of the year," said Nicholas Hyett, equity analyst at Hargreaves Lansdown. "That's not really how it's meant to work as a services business, but Petrofac actually has a decent slug of oil and gas assets of its own – \$794mn to be exact." Cochran echoed comments from larger rival Wood Plc last week on weak pricing outside the booming US shale sector, saying Petrofac expected no near-term increase in prices.

The company, which designs, builds, operates and maintains oil and gas facilities, said its order book had risen 22.2% to \$3.3bn at the end of the first half. It said it was looking at bidding opportunities of about \$34bn in the next 12 months.

Lukoil Russia's second-largest oil producer, Lukoil, reported a 20% rise in second-quarter net profit helped by stronger oil prices and a weaker rouble. Net profit came in at 167.3bn roubles (\$2.5bn) for the second quarter. Analysts, polled by Reuters, had expected a net profit at 171bn roubles. Lukoil, controlled by Vagit Alekperov and his deputy Leonid Fedun, said its earnings were supported by higher sales despite a decline in oil production after a global oil deal to curb output. Sales in the second quarter increased to 2.06tn roubles, from 1.36tn roubles a year earlier. Earnings before interest, taxes, depreciation and amortisation (EBITDA) rose to 295.2bn roubles, from 179bn roubles in the same period of

2017. Lukoil also said its adjusted free cash flow jumped in the April to June quarter by more than 65% to a record 152bn roubles.

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## **Maersk Drilling strong enough to stand on its own after listing: CEO**



STAVANGER, Norway (Reuters) – Drilling rig contractor Maersk Drilling [IPO-MAER.CO] will provide strong competition for its peers when it is spun off from the A.P. Moller-Maersk (MAERSKb.CO) conglomerate next year, its chief executive said on Tuesday.

A.P. Moller-Maersk said on Aug. 17 it would spin off its offshore drilling operation and list it in Copenhagen next year, the latest move by the Danish shipping company to focus entirely on transport and logistics.

“We will be one of the strongest (players) when it comes to the balance sheet, we will be one of the strongest when it comes to the backlog (of orders),” Maersk Drilling Chief Executive Joern Madsen told Reuters on the sidelines of an energy conference in Stavanger, Norway.

“We will be able to compete with the rest of the crowd,” he said.

Maersk Drilling counts BP (BP.L), Aker BP (AKERBP.OL), Equinor (EQNR.OL) and Total (TOTF.PA) among its biggest customers.

News of the listing came after the conglomerate tried to find

a buyer for the unit, whose competitors include Transocean (RIGN.S), Seadrill SDRL.OL and Odjfell Drilling (ODLL.OL).

Madsen reiterated on Tuesday that Maersk had “looked at various options” but did not provide further details about the process.

“At the end of the day, it gives shareholders an opportunity to be a part of a potential (rig market) recovery... I’m very happy about the decision myself,” he said.

Maersk has not publicly put a price tag on the drilling division, but analysts have previously valued it at around \$4.8 billion.

Maersk Drilling reported a 2 percent increase in second-quarter EBITDA to \$159 million, as sales grew around 5 percent in the quarter to \$366 million.

An outright sale of Maersk Drilling has been made difficult by oversupply in the drilling rig market, which has yet to recover despite a rebound in oil prices.

Maersk Drilling fleet utilisation rates stood at around 61 percent for floating rigs and 71 percent for jack-up rigs, below levels of around 85 percent which historically gave rig owners the power to increase rates.

“Our customers are talking about longer drilling programmes and that is normally an indication that something is on the rise,” Madsen said, adding that the market consensus was for rates in the drilling industry to rise towards 2020.

However, he said he expected the industry’s business model to change in the future, moving away from dayrates to more closer cooperation with its customers.

“I don’t think we are going to see that the industry only remains with the dayrate model... We will see more and more oil companies come out and say ‘We want to work closer with you as

a contractor and we want you to share with us the risk and the upside’,” he said.

Madsen said the company currently didn’t plan to expand its fleet or change its composition, two-thirds of which are jack-up rigs which drill in shallow waters while the rest are floating rigs.

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# Saudi Aramco loses its ‘in perpetuity’ oil and gas rights



Anjali Raval, Senior Energy Correspondent AUGUST 27, 2018

Saudi Arabia has cut the length of time that its state energy company has exclusive rights to the kingdom’s vast oil and gasfields, raising questions about Saudi Aramco’s long-term production and revealing a power struggle between the company and the government. Saudi Aramco’s concession agreement with the state has limited the amount of time in which the group can explore and develop resources to 40 years – from a previous contract that gave it access in perpetuity.

There will be an option to renew the contract. The move, three people briefed on the matter said, came as part of the kingdom’s preparations for a stock market flotation of Saudi Aramco, which has been indefinitely delayed.

Energy minister Khalid al Falih, chairman of Saudi Aramco and former chief executive of the company, has insisted the kingdom is committed to a listing, despite mounting signs that



the country is unable or unwilling to execute the flotation. Mr Falih said last week that a new concession contract had been agreed as part of the initial public offering process, which also included overhauling Saudi Aramco's financial reporting and undertaking an independent audit of its energy reserves, without disclosing terms. The Saudi energy ministry told the FT that the new contract was "one of several important steps undertaken to prepare Saudi Aramco for being listed", adding that the government was committed to "proceeding with the IPO, when conditions are optimum, at a time of its choosing".

The legal change sought to formalise the relationship between Saudi Aramco and the state, ahead of opening up the company to potential foreign investors, the three people said. It also suggested that the ambitions for a listing were for a sale of more than 5 per cent of the company. With the listing halted, those close to the company said it had been a pointless exercise that had only served to exert ministerial control over Saudi Aramco, which had fought to keep its rare evergreen contract. The government initially pushed for an even shorter contract – more in line with international oil companies that have 20-year agreements. But this would have had ramifications for what the company could declare as its reserves, long-term development plans and its valuation. Some energy sector experts have asked if the concession agreement could prompt Saudi Aramco to produce oil at a faster rate. Others have suggested it could signal a move by the government to alter its output policy, with the industry expecting demand for crude to peak in the coming decades. Recommended Lex Saudi Aramco IPO: the Empty Quarter "Often for oil companies, the shorter the concession, the sooner you must produce the resources," said John Lee, professor at Texas A&M University. "It has always been a huge advantage to have a concession without any expiry." However, a 40-year concession is still longer than most energy sector contracts and, with Saudi Aramco the country's main revenue generator, there is no sign

yet it would not be renewed. People close to Saudi Arabia's energy minister said that output policy should remain unaffected. They added that the kingdom, as the ultimate shareholder, already had the power to dictate big changes in energy strategy without the legal change, which they said was a procedural matter.