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Germany triggers gas alarm stage, accuses Russia of 'economic attack'

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BUSINESS

VALUATION BOOST : Page 2

QSE plans to allow short selling, draw listings to attract more investors

IMF urges Qatar to accelerate structural reforms for economic transformation

By Santhosh V Perumal
Business Reporter

The International Monetary Fund (IMF) has asked Qatar to accelerate structural reforms and leverage global trends, such as digitalisation and climate actions, to build a more inclusive, diversified, and greener economy.

"Accelerating structural reforms is critical to limit scarring from the pandemic and facilitate economic transformation," IMF said in Article IV consultation with Qatar.

The pandemic could leave lasting scars on Qatar's hospitality, transportation, retail and manufacturing sectors, it said, projecting that the medium-term real non-hydrocarbon GDP would remain 8% below the pre-pandemic projections.

The Bretton Woods institution said reforms should focus on improving productivity and inclusion, enhancing private sector competitiveness, and leveraging global trends, such as digitalisation and climate actions, to foster stronger and more diversified growth while addressing climate challenges, it said.

On accelerating digitalisation, the IMF said the strong digital infrastructure in Qatar ensured the provision of financial, government, education, health, and e-commerce services during the pandemic.

The fintech sector has been growing rapidly since the announcement of the National Fintech Strategy and the launch of the Qatar FinTech Hub (QFTH) in 2019.

Efforts should continue in promoting digitalisation; regulation and supervision of fintech need to advance further to balance risks and opportunities.

Highlighting that rising fintech activities since the pandemic have accelerated efforts in developing the regulatory framework; the IMF report said e-commerce and online financial sector services have surged during the pandemic.

The Qatar Central Bank and the Qatar Development Bank (QDB) have also had initial success in their fintech incubator and accelerator programmes, with the potential to increase financial inclusion.

The IMF said it is appreciative of the issuance of regulations on e-payments, electronic know-your-customer (e-KYC and e-signature), and electronic insurance aggregation.

"Strong efforts should continue to balance opportunities and risks, including ML/TF (money laundering/terror financing) risks," it said.

Qatar has taken major steps to strengthen the AML/CFT legal and regulatory framework, and should continue the efforts to ensure its effective implementation, IMF said, observing that new laws on combating ML/TF and terrorism, together with an implementing regulation, were enacted in 2019. "Qatar will undergo the comprehensive AML/CFT mutual evaluation by the MENAFATF (Middle East and North Africa Financial Action Task Force) in July 2022. Effective implementation of the supervisory strategies and activities will be critical to further strengthen Qatar's AML/CFT regime," the IMF report said.

Qatar's ecosystem is vulnerable to climate change risks — climate stressors have already had a significant impact on water, temperature, and sea level, it said.

Moreover, the economy's dependence on LNG (liquefied natural gas) — cleaner than other fossil fuels — makes it susceptible to global mitigation actions in the long term, the report said.

Qatar has adopted a number of climate mitigation and adaptation initiatives, and efforts should accelerate, according to IMF.

"Gradually phasing out energy subsidies is critical in meeting Qatar's mitigation pledge, which should be complemented by increasing green investment, including from private investors, enhancing interagency co-ordination, and upgrading regulatory framework," the IMF said.

The IMF said the strong digital infrastructure in Qatar ensured the provision of financial, government, education, health, and e-commerce services during the pandemic

Al-Kuwari leads Qatar delegation to attend Karwa Motors bus assembly factory opening in Oman

HE the Minister of Finance Ali bin Ahmed al-Kuwari headed Qatar's delegation, which attended the opening ceremony of the Karwa Motors Bus Assembly Factory in Duqm, Sultanate of Oman. The ceremony was also attended by a group of senior Qatari and Omani officials. On the Qatari side, HE the Minister of Transport Jassim Seif Ahmed al-Sulaiti and Dr Saad bin Ahmed al-Mohannadi, chairman, Karwa Motors board of directors, attended. Dignitaries on the Omani side included Sultan bin Salem al-Habsi, Minister of Finance, and Dr Ali bin Masoud al-Sunaidi, chairman of the General Authority for Special Economic Zones and Free Zones. Following the inaugural ceremony, the dignitaries toured the production facilities in the Karwa Motors Bus Assembly Factory. The Karwa Automobile Factory project is a joint venture between the Qatari Mowasalat Company and the Oman Investment Authority. It is one of the most important projects resulting from the decisions of the Qatari-Omani Joint Committee.

Sierra Leone president urges Qatari businessmen to invest in his country

The President of Sierra Leone Dr Julius Maada Bio urged Qatari businessmen to invest in his country, stressing that there are many investment opportunities in various economic sectors.

He was addressing a meeting with Qatar chamber delegation headed by first vice-chairman of Qatar Chamber Mohamed bin Twar al-Kuwari, in the presence of Abdul Rahman bin Abdul Jalil al-Abdul Ghani and Mohamed bin Ahmed al-Obaidli, members of the board of directors.

Maada praised the close relations between Qatar and Sierra Leone, pointing out the importance of strengthening these relations in various fields, especially the trade and investment fields.

The meeting reviewed ways to enhance trade and economic co-operation relations between the two countries, and the role of the Qatari private sector in establishing partnerships between Qatari and Sierra Leonean companies for the benefit of the two countries' economies.

Al-Kuwari said Qatar and Sierra Leone are enjoying strong relations based on mutual respect and trust.

Despite the close relationship between the two countries, their bilateral trade is still weak, which can be enhanced.

There are substantial opportunities in the agricultural and mining sectors in Sierra Leone, and these provide promising opportunities for investment and open the way for the development of co-operation between Qatari and Sierra Leonean companies.

Qatari businessmen keen on learning about investment opportunities available in Africa in general, and Sierra Leone in particular can make use of that.

He stressed the interest of Qatar Chamber to enhance co-operation between the private sector in both friendly countries, as well as encouraging Qatari investors to invest in Sierra Leone.

President of Sierra Leone Dr Julius Maada Bio has urged Qatari businessmen to invest in his country, stressing that there are many investment opportunities in various economic sectors. He was addressing a meeting with Qatar chamber delegation headed by first vice-chairman of Qatar Chamber Mohamed bin Twar al-Kuwari, in the presence of Abdul Rahman bin Abdul Jalil al-Abdul Ghani and Mohamed bin Ahmed al-Obaidli, members of the board of directors.

QSE plans to allow short selling, draw listings

Bloomberg
Doha

Energy-heavy Middle East indices have outperformed most benchmarks this year, with the Qatar Exchange Index up 2.7% so far this year compared to a 17% fall in the MSCI Emerging Markets Index

The Qatar Stock Exchange is planning a slew of initiatives including allowing investors to lend and borrow securities and bet against shares, as the bourse looks to attract more investors and bolster valuations in its markets.

The exchange is "engaged with regulators and policy makers for market development by bringing in tools like short selling, securities lending and borrowing," Mohsin Mujtaba, director of the product and market development department, said in an interview. Those offerings are expected to be introduced in the next quarter.

The QSE has also started working with London Stock Exchange Group Plc to offer "derivatives as a hedging and leverage solution for both retail and institutional investors" by the end of next year.

The moves are part of a "larger playbook" focused on "building more liquidity and attracting more investors," Mujtaba said.

The QSE was established in 1995.

In terms of listings, Mujtaba said there were a number of smaller listings lined up for this year, with larger initial public offerings "probably a conversation for next year."

Mujtaba said foreign investor interest was exploding with demand for Qatari gas jumping in the wake of Russia's invasion of Ukraine. He noted there had been more investment flows so far in 2022 than in the three years.

Energy-heavy Middle East indices have outperformed most benchmarks this year, with the Qatar Exchange Index up 2.7% so far this year compared to a 17% fall in the MSCI Emerging Markets Index.

Part of Qatar's strategy to compete with other regional exchanges is to attract climate-focused investors. An ESG-focused exchange traded fund is planned for the second half of the year along with a commodity-based one, he said.

QSE MARKET WATCH

Company Name	Lt Price	% Chg	Volume
Zad Holding Co	17.00	-1.79	18,932
Widam Food Co	2.75	-3.61	235,779
Vodafone Qatar	1.51	-2.71	4,217,702
United Development Co	1.34	0.83	1,607,480
Salam International Investme	0.74	-6.00	7,675,086
Qatar & Oman Investment Co	0.69	-2.83	2,713,971
Qatar Navigation	8.01	-2.90	2,108,933
Qatar National Cement Co	4.90	-2.02	681,137
Qatar National Bank	19.76	-0.20	3,969,859
Qlm Life & Medical Insurance	5.56	0.38	167,501
Qatar Islamic Insurance Grou	8.20	-1.20	42,690
Qatar Industrial Manufactur	3.21	-4.27	565,260
Qatar International Islamic	10.31	-1.34	2,493,042
Qatari Investors Group	1.95	-2.55	2,352,146
Qatar Islamic Bank	22.08	0.78	2,247,791
Qatar Gas Transport(Nakilat)	3.60	-5.21	5,841,093
Qatar General Insurance & Re	2.20	0.00	-
Qatar German Co For Medical	1.47	-4.05	6,558,595
Qatar Fuel Qsc	17.20	-1.88	756,135
Qatar First Bank	1.15	7.18	7,946,817
Qatar Electricity & Water Co	17.00	-1.51	1,744,901
Qatar Exchange Index Etf	11.62	-1.17	41,050
Qatar Cinema & Film Distrib	3.66	0.00	-
Al Rayan Qatar Etf	2.48	-2.44	298,302
Qatar Insurance Co	2.37	-0.84	406,454
Qatar Aluminum Manufacturing	1.50	-3.66	43,418,361
Ooredoo Qpsc	7.60	-1.30	2,443,577
Alijarah Holding Company Qps	0.74	-4.39	5,732,961
Mazaya Real Estate Developme	0.74	-2.25	5,421,805
Mesaieed Petrochemical Holdi	2.40	-0.12	4,541,912
Al Meera Consumer Goods Co	16.73	-5.48	844,442
Medicare Group	6.87	-1.07	21
Mannai Corporation Qsc	8.10	2.54	145,025
Masraf Al Rayan	4.02	-0.74	13,515,562
Al Khalij Commercial Bank	0.00	0.00	-
Industries Qatar	14.55	-4.40	3,988,634
Inma Holding Company	5.10	-1.53	525,831
Investment Holding Group	1.67	-6.07	14,208,843
Gulf Warehousing Company	4.01	-2.43	1,767,334
Gulf International Services	1.84	-0.75	25,220,019
Al Faleh Education Holding	1.50	-0.93	26,928
Ezdan Holding Group	1.01	-4.26	11,896,057
Doha Insurance Co	2.08	2.96	50
Doha Bank Qpsc	2.61	1.28	2,773,641
Dlala Holding	1.39	0.14	2,941,713
Commercial Bank Psqc	6.64	-2.50	1,496,244
Barwa Real Estate Co	3.21	-2.04	3,986,290
Baladna	1.46	-5.00	19,247,851
Al Khaleej Takaful Group	3.20	-2.59	193,530
Aamal Co	0.95	2.36	1,786,005
Al Ahli Bank	3.90	0.03	486,357

Turkey central bank holds rate at 14% despite inflation leap

Reuters
Istanbul

Turkey's central bank held its policy rate unchanged at 14% for a sixth straight month on Thursday, repeating that disinflation was expected to begin despite rampant inflation topping 73% last month and an ongoing global tightening cycle.

The bank cut its policy rate by 500 basis points toward the end of last year, despite rising prices, in an unorthodox policy that has left real rates deeply negative.

The easing cycle triggered a currency crisis that eroded 44% of the lira's value against the dollar in 2021, stoking inflation further.

It has weakened another 24% this year while inflation has hit a 24-year high and is expected to climb higher in coming months.

The central bank said disinflation would begin due to measures already taken, a potential end to the Ukraine conflict and favourable base effects.

"The Committee will continue to implement the strengthened macroprudential policy set decisively and take additional measures when needed," the bank said.

In a Reuters poll, all but one of 15 economists expected the central bank to leave its benchmark rate unchanged. One expected a cut to 13%.

The lira showed little reaction after the rate decision, standing at 17.3675 at 1127 GMT, slightly weaker than Wednesday's close.

Most economists polled expect the key interest rate to remain steady until year-end, reflecting the view that there will be no U-turn in the unorthodox economic policy plan.

Under the current economic programme, the government wants the private sector to make investments by taking advantage of low rates to increase production, exports and employment.

Two weeks ago, the government launched measures intended to harness banks and bond markets to rein in inflation and support the lira, but some analysts voiced scepticism about the extent to which the steps would alleviate economic woes.

The level of capacity utilisation and other leading indicators show robust growth at the start of the year continued in the second quarter, the bank also said.

Egyptian finance minister says it's time to rethink carry-trade reliance

Bloomberg
Doha

Egypt should focus on attracting more foreign direct investment and boosting exports so it relies less on its once-lucrative carry trade, Finance Minister Mohamed Maait has said.

The North African country has been racing to limit its exposure to the economic impact of Russia's invasion of Ukraine, which has imperilled crucial wheat imports and could curb its post-pandemic tourism revival. Egypt's seen some $20bn in foreign outflows this year as investors in local debt exited what had been a favourite market.

Egypt's Gulf allies have pledged more than $22bn in deposits and investments since the war began, and Cairo is promising to open sectors and businesses to private foreign and domestic enterprise in the months ahead.

"Now it's the time for Egypt to concentrate more on the increase of exports and foreign direct investments rather than the carry trade," Maait said in an interview at the Qatar Economic Forum in Doha.

Mohamed Ahmed Maait, Egypt's Finance Minister, speaks during a panel session at the Qatar Economic Forum (QEF) in Doha.

Maait, who became finance chief in 2018, said Egypt has seen outflows from portfolio investments three times during his tenure and has got "used to dealing with it."

Egypt saw FDI drop 12% in 2021, but remained one of the continent's main recipients, according to a report this month from the United Nations Conference on Trade and Development. Pledges from the Gulf may provide a boost, it said.

Looking to a global wave of monetary tightening that's prompted Egyptian policy makers to follow suit, Maait expressed concern over the impact of high interest rates on the debt-servicing costs for Egypt, one of the Middle East's most indebted nations.

Egypt has been in talks with the International Monetary Fund for assistance, with recent discussions focusing on a possible three- to four-year program known as an extended fund facility, he said. Maait didn't say when an agreement might be struck.

Egypt is set to host the COP27 climate summit at the Red Sea resort of Sharm El-Sheikh in November. The Finance Ministry plans a conference in early September with its counterparts from across Africa during which there may be a joint declaration on affordable green-financing, Maait said.

Six takeaways from what Elon Musk said at Qatar Economic Forum

Bloomberg
Doha

Elon Musk covered everything from the state of his deal to buy Twitter Inc to the direction of the American economy and planned job cuts at Tesla Inc in an appearance at the Qatar Economic Forum Tuesday.

The chief executive officer of Tesla and Space Exploration Technologies Corp even waded into US politics, saying that he was yet to decide who to back in the next presidential election when asked directly if he'd consider supporting Donald Trump.

Wearing a white shirt and gray suit jacket, the world's richest man was articulate and to the point in the video link-up, fielding a raft of questions over the 20-minute discussion.

Here are the top things Musk spoke about in an interview with Bloomberg News Editor-in-Chief John Micklethwait:

'Unresolved matters' remain on Twitter deal

"There is the question of, will the debt portion of the round come together and then will the shareholders vote in favour," Musk said.

The billionaire said last month that he was putting the takeover "on hold" while he investigated how many of Twitter's users were real people, and later filed a formal letter with the Securities and Exchange Commission in which he told Twitter executives he might walk away from the deal if the company didn't do more to prove the actual size of its user base. Musk told the forum on Tuesday he would focus on "driving the product" at Twitter, though he doesn't necessarily plan to be the CEO.

US recession "inevitable" at some point

The electric-car pioneer told Tesla executives earlier this month that he had a "super bad feeling" about the economy, according to an internal e-mail seen by Reuters. Seeking to quell a surge in living costs, the Federal Reserve accelerated its monetary-tightening campaign last week with its biggest interest-rate increase since 1994.

A recession in the US is inevitable at some point, he said on Tuesday. "As to whether there is a recession in the near-term, that is more likely than not."

Tesla job cuts

"Tesla is reducing its salaried workforce roughly 10% over the next three months or so," Musk said, reiterating plans revealed in an email earlier this month. "We expect to grow our hourly workforce. We grew very fast on the salaried side, grew a little too fast in some areas."

But he also provided more clarity on the employee-reduction plans on Tuesday, saying the cuts will result in an overall reduction of some 3% to 3.5% in total headcount at Tesla, as hourly staff numbers are still expected to grow, Musk said.

Tesla, now headquartered in Austin, Texas, has grown to about 100,000 employees globally, hiring rapidly as it built out new factories in Austin and Berlin. The cuts, which have affected human resources representatives and software engineers, caught many by surprise, with several employees told they were being terminated immediately.

"A year from now, I think our headcount will be higher" in salaried and hourly workers, he added.

Supply chain issues

Supply constraints are the biggest brake on Tesla's growth, rather than competition from rival automakers.

"Our constraints are much more in raw materials and being able to scale up production," he said.

Musk earlier this month said the EV pioneer has had a "very tough quarter" as it struggles with supply-chain snags and urged workers to help get production back on track.

"As anyone knows who has tried to order a Tesla, the demand for our cars is extremely high and the wait list is long," he said. "This is not intentional and we're increasing production capacity as fast as humanly possible."

Trump and US politics

Asked whether he would support Trump in the next US presidential election: "I'm undecided at this point on that election."

His comments are significant as last week Musk indicated that he was leaning toward supporting Florida Governor Ron DeSantis, who has positioned himself as a staunch conservative and heir apparent to Trump.

Elon Musk, chief executive officer of Tesla Inc, speaks via video link during the Qatar Economic Forum (QEF) in Doha on Tuesday.

Musk said last week that he voted Republican for the first time in the primary election in Texas.

Praising China

Musk has long had a cosy relationship with China, including being the only foreign automaker allowed to wholly own its local operations there and receiving support for its Gigafactory near Shanghai.

Asked on Tuesday whether he sees any issue with balancing his Tesla interests in China with the future acquisition of Twitter, Musk said the social-media and discussion platform doesn't operate in the country and "China does not attempt to interfere with the free speech of the press in the US, as far as I'm aware." He went on to praise Chinese firms, saying "I am very impressed with the car companies in China, just in general companies in China. I think they're extremely competitive, hard-working and smart."

Bloomberg QuickTake Q&A

What's a reverse currency war and who's fighting one?

By Amelia Pollard and Libby Cherry

Currency wars flare up from time to time, usually during moments of economic tumult. They typically involve countries jockeying for a competitive export edge by driving down their currencies. What's less common is a so-called reverse currency war. But it's possible that one could be brewing, whether as the result of deliberate policies or as a side effect of steps central banks are taking to fight inflation. In particular, the sharp rise in the value of the dollar as the US Federal Reserve pursues its most aggressive interest-rate hikes in almost 30 years is posing challenges to currencies and central banks around the world.

1. What's a currency war?

If a country's currency falls in relation to other currencies, which can help its economy. Its exports become cheaper relative to competitors, boosting demand from abroad, while higher import prices spur domestic consumption of more homegrown products and services. And both of these provide support to local producers. A round of competitive devaluations is thought to have deepened the Great Depression that began in 1929, with countries leaving the then-prevalent gold standard to weaken their currencies. In the early years of this century, the US and other rich countries complained that China was depressing the value of its currency, the yuan, to increase exports. But the phrase "currency war" was only popularized around 2010, when Brazil's then-finance minister, Guido Mantega, accused wealthier nations of devaluing their currencies to stimulate economies still reeling from the financial crisis of two years before.

2. What's a reverse currency war?

A situation in which countries work to make their currency stronger. Rather than boosting growth, the goal of any such move is to help tame inflation, since a stronger currency means that imports are relatively cheaper. The Fed's actions have boosted the US dollar, driving up Bloomberg's gauge of greenback strength by close to 7% this year. On the flipside, the euro – which is used by more than 300mn people in Europe – has fallen to a five-year low against the greenback, while the British pound and a majority of other important currencies have slumped too.

3. Does a stronger currency really curb inflation?

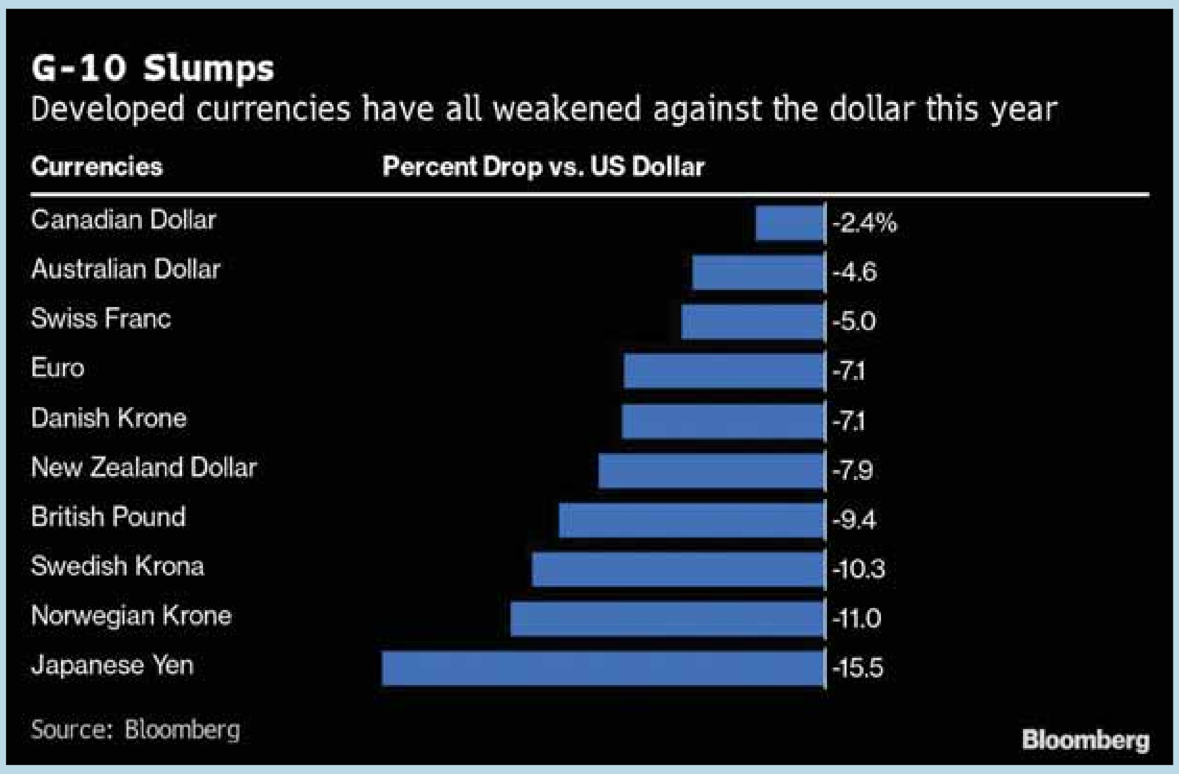
Currency strength does weigh on inflation but just how much is both debatable and subject to change, depending on circumstances. The degree to which exchange rate changes affect core inflation – which excludes volatile factors like food and energy – is called the pass-through rate. In some previous bouts of dollar strength, that rate's been marginal. But some, such as Citigroup Inc chief economist Nathan Sheets, argue that it could be higher during times of elevated inflation. In 2020, when inflation was subdued, a 10% increase in the value of the dollar would have been expected to dampen increases in the consumer price index by only about half a percentage point. But at the current pace of inflation, which has been fuelled in large part by higher commodity costs, the pass-through coefficients could be more than double that, approaching a full percentage point, said Sheets, who previously worked for the US Treasury and Federal Reserve.

4. What are central banks saying about this?

Most central banks seek to steer their economy through a combination of interest-rate changes and balance-sheet actions, and are usually wary of doing or saying anything that could be construed as trying to manage exchange rates directly. The US Treasury can (and has at various times) labelled some trading partners as currency manipulators if it believes they're trying to gain an unfair advantage. The Fed, for its part, emphasises that its goal in raising interest rates is to fight inflation by curbing demand rather than bolstering the dollar. Fed Chair Jerome Powell has said that the central bank's commitment to price stability has strengthened confidence in the dollar as a store of value. Yet while most of the Fed's major global counterparts have historically tended to walk a similar tightrope around currency issues, some are becoming more vocal about the link between exchange rates and inflation.

5. What's different?

One sign of how things have changed recently is that some central banks previously known for using direct foreign-exchange intervention to weaken their currencies are now doing the opposite. The Swiss National Bank, which historically has acted in currency markets to weaken the franc, has allowed its currency to strengthen this year and said in June it would consider selling foreign currency if it weakened excessively. "We let the Swiss franc appreciate," SNB President Thomas Jordan said in March. "This is one of the reasons why in Switzerland inflation is lower than compared to the euro zone or the United States." European Central Bank official Francois Villeroy de Galhau, meanwhile, has said that a euro which is "too weak" would go against that monetary authority's price-stability objective, and in the UK, the Bank of England's Catherine Mann went even further by highlighting how a faster pace of tightening could support the pound.



6. Are there winners and losers?

Consumers from the countries that successfully rally their currencies are the clear winners during a reverse currency war, with domestic prices tempered slightly due to greater buying power. But there are plenty of losers, including multinational corporations, nations that rely on exports and emerging economies. US companies ranging from Salesforce Inc to Costco Wholesale Corp have raised complaints about the surging dollar on recent earnings calls. That's because a stronger greenback lessens the value of those companies' foreign revenue when translated back into dollars. It also makes their products less competitive as prices rise in local currency terms, reducing demand. For developing economies, there's the risk that a "currency mismatch," which takes place when governments, corporations or financial institutions have debt in US dollars but pay in a depreciating local currency, can push them into financial jeopardy.

7. Who isn't joining the party?

With a nose-diving currency, Japan appears to be playing by the currency war's old rules. Bank of Japan Governor Haruhiko Kuroda has kept yields anchored to the floor in an effort to stimulate the economy. In the process, the yen has fallen precipitously, dropping more than 15% this year against the US dollar – the biggest drop of any Group-of-10 currency. In mid-June, ahead of the BoJ's most recent policy meeting, Kuroda shifted his stance slightly, signalling that the central bank was watching the currency, in a rare departure from the status quo of staying mum on the country's exchange rate. He conceded that the yen's abrupt slide wasn't advantageous for the country's economy, though the bank didn't alter policy settings. And calls for currency intervention have swelled. Takehiko Nakao, the former head of foreign-exchange policy at the finance ministry, said "unilateral intervention shouldn't be ruled out as a possibility" during an interview on Bloomberg TV on Thursday.

The sharp rise in the value of the dollar as the US Federal Reserve pursues its most aggressive interest-rate hikes in almost 30 years is posing challenges to currencies and central banks around the world

As Russia cuts gas, coal makes a comeback in Europe

AFP
Paris

Russia's gas cuts to Europe have prompted a clutch of countries to revert to burning coal, raising concerns as the EU seeks to become climate neutral by 2050.
Here is a look at the situation:

Coal still here, but declining

Globally, coal is the main source of energy for electricity production, but it is also the top producer of greenhouse gases.
Its use is declining in the European Union, where 202 coal-fired plants with production capacity of 111 gigawatts were in operation earlier this year, according to the Global Energy Monitor, a US-based non-governmental organisation.
Germany is home to the most plants with 63, followed by 44 in neighbouring Poland and 24 in the Czech Republic.
But their use is falling in the 27-nation EU, with coal behind 13% of electricity production in 2020, compared to 25% in 2013, thanks in part to the rising cost of CO2 emission permits.
"Since 2015, all European countries have gradually pledged to abandon coal, including Poland which was very opposed to that," noted Nicolas Berghmans at the Paris-based Institute for Sustainable Development and International Relations.
There are no new coal projects underway in Europe, unlike other regions such as Asia.
Some countries, like Portugal, have completely eliminated the use of the fossil fuel.

A temporary reprieve

Russia's halt in natural gas deliveries threatens to rapidly create shortages, so several countries have announced temporary measures in favour of coal.
One such country is Germany, where coal-fired electricity plants will operate longer than planned. Berlin has insisted this does not change its plans to exit coal in 2030.
Austria, Italy and the Netherlands have made similar announcements.
Germany has already stepped up coal use: in the first five months of the year, electricity produced by coal jumped 20%, according to Rystad Energy, a research and business intelligence firm.
The EU has decided to ban Russian coal from the month of August, so it will need to import hard coal supplies from elsewhere. Europe is nearly sufficient in brown coal, which is the most polluting.
The German association of hard coal importers estimated in March that Russian imports could be quickly replaced by supplies from countries such as the United States, Colombia, South Africa, Australia, Mozambique and Indonesia.

A bit of elbow room

EU officials have called for using the crisis to push forward in the transition to clean energy rather than reverting to dirty fuels.
Berghmans noted that using coal plants would cause a temporary rise in carbon emissions.
"Nevertheless, the advantage of calling upon these plants that were due to close is that there is no investment in new capacity," he said.
Europe is thus in a completely different situation than Asia, where projects for new coal-fired electricity plants are still being undertaken.
These facilities will likely be in operation for decades.
The International Energy Agency (IEA) has flagged a worrying increase in investment in coal projects, a 10% rise in 2021 centred in Asia.
A similar gain is expected in 2022.
EU members are currently discussing a plan called RepowerEU that would accelerate the push towards renewable energy sources and reduce overall demand.
Berghmans expressed confidence that renewables and demand reduction would allow Europe to "turn the corner" and achieve its climate objectives.
The IEA, which has presented a plan to help Europe reduce its dependence upon Russian gas, believes there is a bit of room for the continent to revert to coal use without increasing carbon emissions.
According to its calculations, Europe can replace about 14% of imported Russian gas with coal-fired electricity without producing more pollution.

Germany triggers gas alarm stage, accuses Russia of 'economic attack'

- **West, Russia in energy standoff since Ukraine invasion**
- **German minister warns of 'rocky road' ahead**
- **Minister does not rule out gas rationing**
- **Says market threatened by 'Lehman Brothers' moment**
- **Alarm stage decision does not change status quo: E.ON**
- **Risk of full disruption growing: EU's Timmermans**

Reuters
Berlin

German Economy Minister Robert Habeck gives a statement on the topics of energy and security of supply in Berlin on Thursday.

Germany triggered the "alarm stage" of its emergency gas plan on Thursday in response to falling Russian supplies but stopped short of allowing utilities to pass on soaring energy costs to customers in Europe's largest economy.

The measure is the latest escalation in a standoff between Europe and Moscow since the Russian invasion of Ukraine that has exposed the bloc's dependence on Russian gas supplies and sparked a frantic search for alternative energy sources.

The decision is largely symbolic as a way of signalling to companies and households that painful cuts are on the way.

But it marks a major shift for Germany, which cultivated strong energy ties with Moscow stretching back to the Cold War.

Lower gas flows sparked warnings this week that Germany could fall into recession if Russian supplies halted altogether.

S&P Global's flash Purchasing Managers' Index (PMI) on Thursday showed the economy losing momentum in the second quarter.

"We must not fool ourselves: The cut in gas supplies is an economic attack on us by (Russian President Vladimir) Putin," Economy Minister Robert Habeck said in a statement, adding Germans would have to reduce consumption.

Gas rationing would hopefully be avoided but cannot be ruled out, Habeck said and warned: "From now on, gas is a scarce commodity in Germany... We are therefore now obliged to reduce gas consumption, now already in summer."

Russia has denied the gas supply reductions were premeditated, with state supplier Gazprom blaming a delay in return of serviced equipment caused by Western sanctions.

Kremlin on Thursday said Russia remained a reliable energy supplier and "strictly fulfils all its obligations" to Europe.

Under its Phase 2 plan, Berlin will provide a credit line of €15bn ($15.76bn) to fill gas storage facilities and launch a gas auction model this summer to encourage industrial users to save gas.

The government activates the second "alarm stage" of a three-stage emergency plan when it sees a high risk of long-term supply shortages.

It includes a clause allowing utilities to immediately pass on high prices to industry and households and thereby help curb demand.

Habeck said Germany was not at that point, but the clause might get triggered if prices kept rising because of the supply squeeze, deepening power companies' losses.

"Every day, every week you make a minus. And if this minus becomes so big that the companies can't bear it any more and they fall down, the whole market threatens to fall down at some point — so a Lehman Brothers effect in the energy system."

A move to the next phase has been the subject of speculation since Gazprom cut flows via the Nord Stream 1 pipeline across the Baltic Sea to just 40% of capacity last week.

Facing dwindling deliveries from main supplier Russia, Germany has since late March been at Phase 1 of its emergency plan, which includes stricter monitoring of daily flows and a focus on filling gas storage facilities.

"The declaration of the alarm stage does not immediately change the fundamental status quo," German energy provider E.ON said.

It was important, though, that the government was preparing for a significant drop in imports and taking steps to stabilise markets and gas supply, it said an e-mailed statement to Reuters.

In the second stage, the market is still able to function without the need for state intervention that would kick in the final emergency stage.

"The recent reduction in flows to Germany via the Nord Stream1 pipeline will, if it remains at these levels, lead to gas shortages this coming winter," said Ole Hansen, head of commodity strategy at Saxo Bank.

Dutch wholesale gas prices, the European benchmark, rose as much as 8% on Thursday.

Russia may cut off gas to Europe entirely to bolster its political leverage, the head of the International Energy Agency (IEA) said on Wednesday, adding Europe needed to prepare now.

Russian gas flows to Europe via Nord Stream 1 and through Ukraine were stable on Thursday, while reverse flows on the Yamal pipeline edged up, operator data showed.

Several European countries have outlined measures to withstand a supply squeeze and avert winter energy shortages and an inflation spike that could test the continent's resolve to maintain sanctions on Russia.

The supply cuts have also driven German companies to contemplate painful production cuts and resorting to polluting forms of energy previously considered unthinkable as they adjust to the prospect of running out of Russian gas.

The European Union on Wednesday signalled it would temporarily turn to coal to plug energy shortfalls, while calling Moscow's gas supply cuts "rogue moves."

GCC banking systems resilient to regional shocks: S&P Global

By Pratap John
Business Editor

Despite being based in a region prone to disruption, Gulf Co-operation Council (GCC) banking systems have remained remarkably stable, S&P Global Ratings has said in a report.

In its latest report, S&P Global Ratings noted the largest funding item – private domestic deposits – has increased year-on-year over the past three decades despite a series of disruptive regional events, including Yemeni civil wars, the Arab Spring uprisings, the Iraq War, and several Houthi missile attacks.

Only the 1990 Gulf War led to a decline in private sector domestic deposits and, while external funding has proven less stable, related withdrawals has only been temporary.

"To test this resilience, we analysed GCC bank performance in a series of hypothetical stress scenarios," S&P Global Ratings said.

"While the nature of the threat or shock – for example whether there is a direct physical threat – is clearly important, we think various factors explain the historical resilience of GCC bank funding. Notably, large outward remittances have reduced the stock of potentially less stable deposits and confidence boosting actions by public sector entities have helped reduce domestic funding volatility during shocks," said S&P credit analyst Benjamin Young.

"Even though some vulnerabilities are on the rise, including continued external funding growth, a potentially increasing proportion of expatriate deposits, and reduced coverage from potentially supportive sovereign assets to funding bases, our hypothetical stress scenarios show that GCC banks can withstand substantial external funding outflows without additional support."

Biden summons Big Oil to meet on gas prices

AFP
New York

The Biden administration called oil giants to Washington Thursday to discuss what can be done to address runaway gasoline prices that are tanking the president's approval rating.
Biden has blasted the industry over skyrocketing profits and its reticence to boost capital spending, throwing recent barbs at giants like ExxonMobil and Chevron.
Energy Secretary Jennifer Granholm promised a more conciliatory tack on Wednesday.
"We're going in in good faith" Granholm told a White House briefing. "We're going into this to have an earnest conversation with them.
But the oil industry signalled its own wariness towards Biden, who campaigned on the need for low-carbon solutions and cancelled the Keystone Pipeline in his first day in office.
Alluding to Biden's upcoming trip to Saudi Arabia, the American Petroleum Institute and other groups wrote to Biden early Thursday to "invite" the US president to tour domestic sites such as the Marcellus Shale in Pennsylvania.

UK economy 'running on empty' as recession signals mount: PMI

Reuters
London

Britain's economy is showing signs of stalling as high inflation hits new orders and businesses report levels of concern that normally herald a recession, a closely watched industry survey showed on Thursday.

S&P Global's Purchasing Managers' Index (PMI), covering services and manufacturing firms, also showed companies raising pay and passing higher costs on to clients, a worry for the Bank of England.

The PMI's preliminary composite index held at 53.1 in June, above the median forecast of 52.6 in a Reuters poll of economists and unchanged from May.

But its measure of new orders fell to 50.8, the lowest in over a year.

Factory orders dipped below the 50.0 growth threshold to 49.6.

"The economy is starting to look like it is running on empty," Chris Williamson, chief business economist at S&P Global Market Intelligence, said.

"Business confidence has now slumped to a level which has in the past typically signalled an imminent recession," he said, adding that the economy was likely to show a fall in output in the second quarter that could deepen in the third quarter.

Economies around the world are struggling with similar problems and sterling rose against the euro after a similar survey showed a sharp slowdown in business growth in the single currency area, and the pound recovered some of its earlier losses against the US dollar.

Some analysts said the report, while not yet reflecting the full impact of the cost-of-living crisis, provided a bit of hope that a recession might be avoided.

"For now, the survey offers some reason to think the economy could be a little more resilient than we thought," Nicholas Farr, an economist at consultancy Capital Economics, said.

But others worried about the signs of demand growth petering out and the still high inflation pressures.

Samuel Tombs at Pantheon Macroeconomics said he continued to expect Britain's economy would shrink in the April-June period, albeit partly due to an additional public holiday.

"We still are content with our forecast for a 0.7% quarter-on-quarter decline in GDP in Q2 and only a partial recovery in Q3," he wrote in a note to clients.

The PMI's business expectations index fell by 4.6 points in June, the largest monthly decline since the start of the Covid-19 pandemic, with manufacturers and service providers both reporting their lowest business optimism levels since May 2020.