Air Berlin creditors plan to sue Etihad for damages

Creditors of insolvent Air Berlin have decided to sue former parent Etihad Airways for damages over its decision to withdraw funding in August, which sent Germany's second-largest airline into administration, a person close to the matter said.

The creditors have asked the administrator to find a firm to finance the planned litigation, the person also said. Air Berlin and the administrator declined to comment. Abu Dhabi-based Etihad was not immediately available for comment.

The administrator had said he was assessing possible claims against Etihad that could potentially reach more than 1 billion euros, arguing that Etihad did not meet its financial obligations towards Air Berlin, once Germany's No. 2 carrier.

Etihad owned a 29 percent stake in Air Berlin and had been providing funding since becoming a shareholder in early 2012. In April 2017, Etihad sent a letter of support to Air Berlin, saying it would provide funding for the next 18 months.

But in August, Etihad said it would no longer provide funding, saying Air Berlin's business had deteriorated at an unprecedented pace.

The German government stepped in with a 150 million euro ($185.96 million) bridge loan to keep Air Berlin's planes flying and prevent thousands of travellers from being stranded while it sought a buyer. That loan takes precedence over other creditors. (RTRS)

Lebanese dollar reserves recover: cenbank

The Lebanese central bank's dollar reserves grew in early 2018, recovering from a decline during a political crisis last year that pushed up interest rates, its governor said on Tuesday.

Reserves climbed by $1.4 billion in the first two months of the year and total assets in dollars exceeded $43 billion, Governor Riad Salameh said at an economic conference in Beirut.

"With the rise of interest rates and the return of political issues to normal, the dollar reserves at the central bank rose," he said.

November's political crisis was triggered by the sudden resignation of Prime Minister Saad al-Hariri during a trip to Saudi Arabia, before he returned to the country and resumed his role. The crisis raised questions about Lebanon's economic stability and put pressure on the Lebanese pound's peg to the dollar.

Lebanon has one of the world's most indebted governments measured against the size of its economy. Growth has been slowed by war in neighbouring Syria and years of internal political disputes.

The economy relies on the confidence of millions of expatriate Lebanese who deposit into local banks. The banks buy government debt, which finances the expanding budget deficit and debt. (RTRS)

Market Movements 06-03-2018

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+65.10	6,061.50
JAPAN	-	Nikkei	+375.67	21,417.76
GERMANY	-	DAX	+23.00	12,113.87
FRANCE	-	CAC 40	+3.01	5,170.23
EUROPE	-	Euro Stoxx 50	+2.54	3,357.86
S. KOREA	-	KRX 100	+84.02	5,031.47

			Change	Closing pts
PHILIPPINES	-	All Shares	-10.17	5,033.72
INDIA	-	Sensex	-429.58	33,317.20
HONG KONG	-	Hang Seng	-624.34	30,510.73

Business

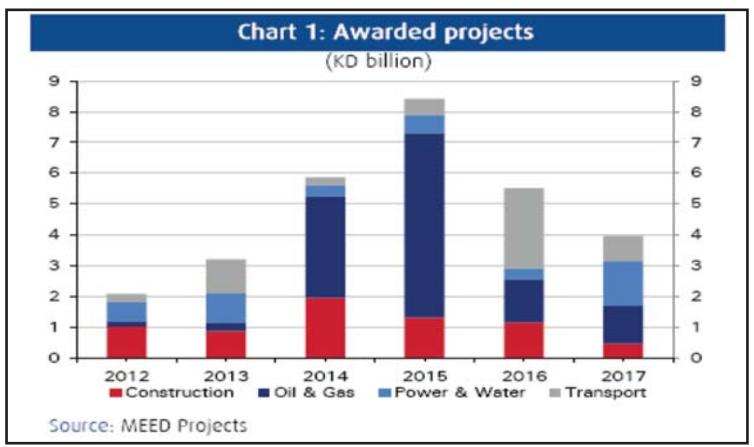
Kuwait projects report

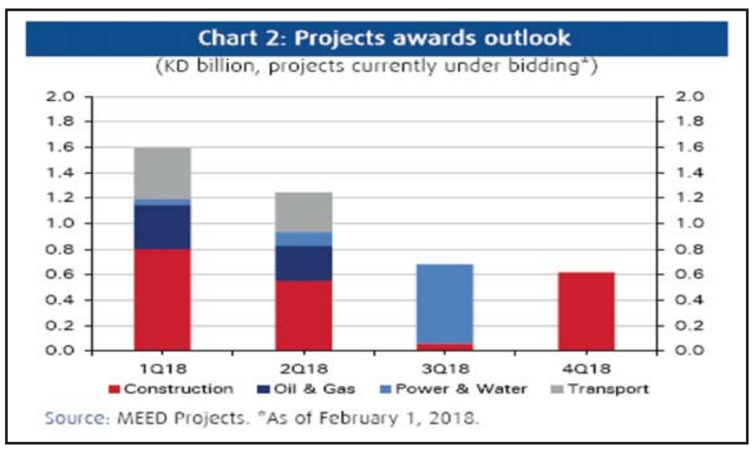
National Bank of Kuwait

Value of awarded contracts slips 28% in 2017

The total value of awarded contracts across sectors fell by 28% in 2017. The awarded projects amounted to KD 4.0 billion, below the five-year average of KD 5.0 billion, according to data from MEED Projects. The surge in contracts in the power and water sectors— compared to prior years—was more than offset by the slowdown in projects in other sectors, mainly transport and construction.

For 2018, the value of contracts is expected to remain at about its 2017 level with the largest contribution coming from the construction sector. Due to delays in the bidding phase in 2017, many construction projects (KD 2 billion) have been pushed out to 2018. Also, some delays in awarding transport projects, valued at up to KD 0.7 billion, could also take place this year.





Power & Water

Projects in the water sector reached a record KD 0.9 billion in in 2017. The Umm Al-Hayman wastewater treatment plant expansion, one of five projects awarded for the sector, accounted for most of the sector's KD 0.9 billion. This project, which was awarded to a consortium of WTE Wassertechnik and International Financial Advisors, will be funded through a public private partnership (PPP). Although the cancellation of the Al-Zour North IWPP was a setback for the power and water sector—and the public-private endeavor as a whole—the second phase is planned to be integrated with the third phase of Al-Zour North. There are still no further developments on the Khairan IWPP, which was awaiting the progress on Al-Zour North 2.

Contracts in the power sector amounted to KD 502 million, but there was a delay of the Kabd waste-to-energy PPP project. The Kabd municipal solid waste project was awarded to a consortium led by France's Constructions industrielles de la Mediterranee—that bid KD 236 million—in September 2017. However, Kuwait's State Audit Bureau (SAB) rejected the tender—based on the documents submitted— delaying the project to 2018, provided that requirements by SAB are fulfilled.

For 2018, up to KD 650 million in power sector contracts are expected to be awarded. Among them is the Al-Dibdibah solar PV power plant in the upcoming Shagaya renewable energy complex. In line with the development plan goals, the Kuwait National Petroleum Company (KNPC) has tendered this project, hoping to contribute to the goal of solar energy providing 15% of the electricity demand in Kuwait by 2030.

Oil & Gas

Activity in the oil sector picked up to KD 1.1 billion worth of projects in 2017. Of the fifteen contracts awarded in 2017, three major projects are noteworthy: (i) Kuwait Oil Company's (KOC) KD 390 contract for a gathering center at Burgan Field, that was awarded to British oilfield services provider Petrofac; (ii) the New Refinery Feed Pipeline project, awarded to Italy's Saipem in a deal worth KD 255 million; and (iii) a crude transit pipeline form North Kuwait to Al-Ahmadi's central mixing manifold, awarded to Indian contractor Larsen & Toubro (KD 113 million).

Gas sector awards eased in 2017 following significant activities in prior years, and are expected to remain relatively modest in 2018. The gas sector took a back seat in award activity in 2017 after a stellar performance in the prior two years. Two deals were signed in 2017, worth KD 96 million, a lackluster performance after the boost of KD 1.3 billion in deals in each of 2015 and 2016. In terms of upcoming projects, both the oil and gas sectors are expected to witness subdued activity (KD 620 million) in 2018.

Transport

Activity in the transport sector declined in 2017 following a strong performance in 2016, mainly on account of delays. A total of 15 transport sector deals (KD 0.8 billion) were awarded in 2017. The largest deal was an infrastructure works contract for the South Al- Mutlaa City, valued at KD 212 million. Another significant project was the runway and taxiway project for the first phase of the Kuwait Airport Expansion project at KD 147 million. The Central Tenders Committee postponed awarding a contract related to road and crossroad construction in the South Al-Mutlaa area. The lowest bidder, a team of Ali Al-Kharafi & Brothers and Metallurgical Corporation of China, was not able to raise the required bank guarantee (bid worth KD 85 million). MEED reports that a team comprising of Turkey's Makyol and Kuwait's Contec United General Contracting could win the contract, offering the second lowest bid at KD 109 million.

Looking forward, up to KD 700 million in transport contracts are expected over the next few quarters. The Ministry of Public Works (MPW) and Public Authority for Housing Welfare (PAHW), have six contracts currently in the bidding phase, in addition to three other contracts from various government entities. Several contracts are related to the northern and southern sections of the regional road, and roads at South Al-Mutlaa.

Construction

Despite a higher number of contracts, the total value of construction awards eased in 2017 to KD 0.5 billion. Over thirty contracts were awarded in the construction sector, but given the small size of these contracts (only three are worth over KD 30 million), their value fell short of the 21 contracts awarded in 2016 (total value of KD 1.2 billion).

The construction sector is expected to dominate projects in 2018 and could reach up to KD 2 billion. There are 26 anticipated deals under consideration, of which the Jahra Ministries Complex valued at KD 260 million could be awarded in the first half of 2018. MEED Projects reports that the lowest bidder is United Gulf Construction Co., and it is very likely it will be awarded the tender. This project was pushed to 2018 due to budgetary constraints. The other noteworthy project that is expected in 2018 is the Kuwait National Guard's Kazema Camp project estimated at KD 300 million.

Prince Salman to begin trip

Saudi Aramco's IPO venue in the balance

DUBAI/LONDON/WASHINGTON, March 6, (RTRS): Saudi Crown Prince Mohammed bin Salman's upcoming trip to Britain and the United States could shape the decision on where to list oil giant Aramco, at a time when sources say the chances of London and New York hosting the IPO appear to be receding.

The two leading financial centres have long been the clear frontrunners to host the international leg of the flotation, alongside a Riyadh listing.

Yet this may no longer be the case as Hong Kong is emerging as an increasingly likely compromise because Riyadh wants to help Asian nations that are expected to become "cornerstone" investors, including China and Japan, according to two sources familiar with the matter.

To be sure, both London and New York are still in the running, but their requirement for greater disclosure of sensitive information on Aramco than the Hong Kong exchange is viewed as a drawback by some Saudi officials and advisers, the sources said.

A final decision has yet to be made by Prince Mohammed, who oversees the kingdom's economic and oil policies, the sources said. The complexity of the listing, legal worries and conflicting recommendations of the different advisers have delayed decision-making, they added.

Saudi Aramco said it was still reviewing its international listing options, and that no decision had been made, but declined to comment further.

Indication

Hong Kong Exchanges and Clearing, the city's exchange operator, said: "Hong Kong is well positioned for the listing of Aramco. We have not received any indication of how the company is likely to proceed with its international listing plan."

The London Stock Exchange declined to comment, while the New York Stock Exchange did not immediately respond to a request for comment.

Prince Mohammed will arrive in London on Wednesday for talks with British Prime Minister Theresa May and other senior ministers in his first trip to Britain since being named heir to the throne last summer.

He is expected to travel to the United States from March 19 to the first week of April, where he will meet US President Donald Trump, and make stops in New York, Boston, Houston and San Francisco among other cities.

Both May and Trump want to attract the IPO, which could be the largest in history. Senior Saudi officials, including Energy Minister Khalid al-Falih and Aramco CEO Amin Nasser, are likely to accompany the crown prince on his foreign tour.

Britain has proposed loosening rules on listing state companies by creating a new category for such firms to accommodate Aramco.

"The British want a strategic partner post-Brexit," said a third source familiar with the crown prince's trip.

Appealed

In November, Trump publicly appealed for Saudi Arabia to list Aramco's shares in the United States, describing the listing as a priority for Washington.

The US visit will give the Saudis a chance to discuss the IPO on a senior level, according to two separate sources familiar with the trip.

Prince Mohammed has said Aramco is worth $2 trillion, meaning the listing of about 5 percent of the company could raise $100 billion.

He himself favours New York for Aramco's main foreign listing for political reasons, given the longstanding ties between Riyadh and Washington and also because it gives the company access to a larger pool of capital, the first two sources said.

However, as well as the high disclosure requirements, the company's advisers have warned about litigation risks associated with the US Justice Against Sponsors of Terrorism Act, or JASTA, the sources added. The law allowed lawsuits to proceed against the Saudi government claiming it had helped to plan the Sept 11, 2001 attacks. Riyadh denies the allegations.

In Britain, meanwhile, the moves by regulators to loosen rules on listing state companies have been met with resistance from some politicians. The head of an influential parliamentary committee said on Monday that such efforts could cost London its reputation for good corporate governance.

Saudi authorities have said they intend to list Aramco in Riyadh and on one or more foreign exchanges. The IPO is the centrepiece of a Saudi economic reform plan, known as Vision 2030 and championed by Prince Mohammed, to diversify the economy beyond oil.

Global oil sector needs $20 tln investments over 25 yrs: Nasser

Shale boom, oil price stability dominate Houston conference

HOUSTON, March 6, (RTRS): The global oil and gas industry needs to invest more than $20 trillion over the next 25 years to meet expected growth in demand and compensate for the natural decline in developed fields, Saudi Aramco Chief Executive Officer Amin Nasser said on Tuesday.

Speaking at the CERAWeek conference in Houston, Nasser said the industry has already lost $1 trillion of investments since the oil price downturn from 2014 to 2016.

Future investments needed "will only come if investors are convinced that oil will be allowed to compete on a level playing field, that oil is worth so much more, and that oil is here for the foreseeable future," Nasser said.

"That is why we must push back on the idea that the world can do without proven and reliable sources. We must challenge mistaken assumptions about the speed with which alternatives will penetrate markets."

He noted that about 99 percent of passenger vehicles on the road use internal combustion engines, even hybrid vehicles, and said electricity produced for battery-powered vehicles comes through power generation, which is still dominated by coal, particularly in markets like India and China.

Nasser said that even with the growth of electric vehicles, the increased demand from petrochemical markets over the next two decades will necessitate additional investment and need for crude oil. He noted "even conservative estimates" suggest the need for about 20 million barrels per day of new capacity in the next five years.

He said that he was confident that oil market fundamentals and future demand growth would be healthy, despite significant oil price volatility and forecasts of rising shale oil production.

The world's largest oil producers appealed to US shale producers to join their efforts to hold global prices at their current level at a major energy conference Monday, as the boom in shale is continuing to undermine OPEC's production curbs.

OPEC Secretary General Mohammed Barkindo said Monday at the CERAWeek conference in Houston that there is a "common understanding" between oil-producing nations and US shale producers that "we all belong to this industry," even as US exports have eroded OPEC's market share over the last year.

This year's CERAWeek conference continues outreach between the Organization of the Petroleum Exporting Countries and shale producers. Members of OPEC will meet with shale producers on Monday evening at a dinner for the second year in a row, though Barkindo said that price levels and production will not be discussed. However, shale's surge in the last year was heavy on the minds at the Houston conference, particularly as US production surged to an all-time record late last year.

Nigeria's oil minister Emmanuel Ibe Kachikwu was more explicit than Barkindo, saying that oil majors operating in both shale fields and in OPEC members should bear some responsibility for prices.

"We need to begin to look at companies that are very active in these areas and begin to get them to take some responsibilities in terms of stability of oil prices," Kachikwu told Reuters on the sidelines of the CERAWeek energy conference in Houston, though he did not name any specific companies.

"Some of the same companies that are working in shale are the same companies working in OPEC (member countries)."

The price of oil rose steadily throughout 2017 in the wake an agreement between the Organization of the Petroleum Exporting Countries and non-members including Russia, to cut production by 1.8 million barrels a day beginning last year.

Growth remains positive

Impact of blockade on Qatar fading but risks remain: IMF

DUBAI, March 6, (AFP): The economic and financial impact on Qatar of a nine-month Saudi-led blockade is fading, but some risks for the Gulf emirate remain, the International Monetary Fund (IMF) has said.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt cut all diplomatic and trade ties with Qatar last June, closing its only land border and banning all flights to and from the emirate.

In a report released late Monday, the IMF said the effect of the blockade on economic activity in Qatar had been "transitory" as new trade routes were quickly established and growth remained positive.

Foreign financing and resident private sector deposits had fallen by $40 billion but that had been offset by cash injections by the central bank and the Qatar Investment Authority — the emirate's sovereign wealth fund, it said.

Like other Gulf energy producers, Qatar has been hit by the slump in world oil and gas prices which has forced it to introduce austerity measures to balance its books.

A combination of the austerity measures and the blockade saw non-hydrocarbon growth fall to 4.0 percent in 2017 from 5.6 percent the previous year, the IMF said.

At 2.1 percent gross domestic product growth in 2017 was only slightly down on the 2.2 percent registered in 2016.

The budget deficit narrowed to 6.0 percent of GDP compared with 9.2 percent in 2016.

Although Qatar's economy and banking and financial systems remain sound, there are still some risks, the IMF said.

"The main risks relate to the possibility of lower hydrocarbon prices, the implementation of planned fiscal measures and uncertainty associated with the lingering impact of the diplomatic rift."

An escalation of the rift with Saudi Arabia and its allies could adversely affect external funding and growth, the IMF warned, adding that the banking system had to adjust to a new funding model.

Saudi's CB ends repo agreements

RIYADH, March 6, (RTRS): Saudi Arabia's central bank said on Monday it would no longer offer repurchase agreements for seven-, 28- and 90-day periods, after short-term Saudi money market rates fell below US rates for the first time in nine years.

In a brief statement, the Saudi Arabian Monetary Agency said it no longer needed to use the instruments and aimed to preserve monetary stability.

The central bank's decision may indicate that it does not want a steep decline in Saudi rates relative to US rates to continue.

On Monday, the three-month Saudi interbank offered rate was 10 basis points below its US dollar equivalent — the lowest spread since mid-2009, when rates were distorted by the global financial crisis.

At the end of 2016, the Saudi rate was 104 bps above the US rate. A negative spread could increase pressure for capital outflows from Saudi Arabia, which authorities are keen to avoid as they seek to fund domestic investment projects.

The repos were a way for the central bank to lend short-term money to banks. When the repos were introduced in late 2016, the Saudi banking system faced a liquidity squeeze due to low oil prices, and authorities were battling to prevent rates from going too high.

But in recent months, liquidity has improved dramatically and money rates have come down because of austerity measures which have reduced the state budget deficit, a slow economy that has reduced demand for loans, and heavy borrowing by the government overseas.

Saudi Arabia announced last week that it was expanding a $10 billion international loan refinancing to $16 billion.

The central bank will keep its option of using one-day repos, which it has employed in the past to handle any sudden shortages of liquidity at individual banks.