Abu Dhabi Airports to explore airport development with Romania

Abu Dhabi Airports said it had signed a memorandum of understanding (MoU) with Romania's South Development Group to explore opportunities to manage and develop airports in the European country in its first foray outside the UAE.

The airports group, wholly owned by the Abu Dhabi government, currently operates five airports in the United Arab Emirates including the main international airport in the capital Abu Dhabi. "We are exploring partnership opportunities for the future management and development of airports in Romania," Bryan Thompson, chief executive officer of Abu Dhabi Airports told reporters.

He said the MoU would cover Bucharest airport and five regional airports in Romania. Thompson said Abu Dhabi Airports, which was created in 2006 to spearhead the re-development of the Emirate's aviation infrastructure, is also exploring projects with four or five other countries and airport groups.

"We are predominantly focused on Africa, Eastern Europe, Indonesia. There are many opportunities out there," he said.

Thompson also said Abu Dhabi airport's new 10.8 billion dirham ($2.94 billion) Midfield Terminal, was 97.6% complete, although he could not give a date for its opening.

Thompson said passenger numbers in 2019 would be very close to 21.5 million, compared to 21.6 million passengers last year. The Midfield Terminal is set to increase the airport's passenger handling capacity to 45 million a year but it has faced a series of setbacks, delaying a planned July 2017 opening. (RTRS)

Workers walk near a Southwest Airlines Boeing 737 Max airplane parked on Dec 11, at Renton Municipal Airport in Renton, Washington. (AP)

Market Movements 13-12-2019

			Change	Closing pts
AUSTRALIA	-	All Ordinaries	+33.75	6,844.59
JAPAN	-	Nikkei	+598.29	24,023.10
GERMANY	-	DAX	+61.08	13,282.72
FRANCE	-	CAC 40	+34.76	5,919.02
EUROPE	-	Euro Stoxx 50	+24.72	3,731.07
S. KOREA	-	KRX 100	+81.62	4,695.71
PHILIPPINES	-	PSEi	+136.56	7,877.36

Change Closing pts

Business

EIA's production forecasts for being too optimistic and distorting the market: Hamm

US oil output continues to climb despite lower prices

John Kemp is a Reuters market analyst. The views expressed are his own. **– Editor**

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By John Kemp

US crude production rose again in September, confounding sceptics who have long been predicting that output is poised to begin declining because of lower oil prices.

Crude output increased by 66,000 barrels per day (bpd) to a record 12.46 million bpd, US Energy Information Administration (EIA) data showed on Friday.

Production has risen by more than 950,000 bpd since the same point last year, though the year-on-year growth rate has been decelerating gently ("Petroleum Supply Monthly", EIA, Nov 29).

Output increased by million bpd in 2018 and the EIA predicts it will rise by another 1.3 million bpd in 2019 and 1 million bpd in 2020 ("Short-Term Energy Outlook", EIA, Nov. 13).

US producers have attacked the credibility of these forecasts, arguing that they exaggerate the production outlook, depressing prices and harming the industry.

Industry insiders and analysts have been arguing for months that such rapid growth is impossible given the slump in prices and sharp slowdown in drilling activity.

The number of rigs drilling for oil has fallen by a quarter since this time last year, says oilfield services company Baker Hughes.

Industry insiders say that output cannot be sustained, let alone increase, while well-head prices languish below $60 a barrel. With oil consumption still on the rise, prices need to be closer to $70 to persuade producers to raise output to the level needed to meet that demand, they say.

Domestic producers have criticised the EIA's forecasts in the past when the industry was under pressure.

In September 2017, with WTI at $45-50 a barrel, Continental Resources CEO Harold Hamm attacked the EIA's production forecasts for being too optimistic and distorting the market.

Hamm blamed the EIA for creating a false sense the market would be oversupplied and thereby depressing WTI prices relative to Brent ("Continental CEO says EIA forecast caps WTI", Argus, Sept 27, 2017).

"They need to get it right. If they don't, we see distortion happen. And we are seeing distortion happen right now," Hamm said in an interview with Argus.

In the event, the EIA was closer to being right and Hamm was wrong ("Oil drillers, not forecasters, are responsible for WTI weakness", Reuters, Oct 2, 2017).

In September 2017, when Hamm was criticising the agency, the EIA predicted domestic production would average 9.66 million bpd one year later, an increase of 150,000 bpd.

In the event, output surged strongly and averaged 11.5 million bpd in September 2018, an increase of 2 million bpd.

When prices are low, producers have an obvious incentive to play down future growth in the hope of raising futures prices and boosting revenues.

But the EIA's production forecasts have been reasonably accurate throughout the past five years and they have usually captured the trend and identified turning points fairly quickly.

If anything, the EIA's forecasts have tended to be on the conservative side, more often underestimating rather than overestimating production growth.

Since 2014 the EIA's year-ahead forecast has underestimated realised output by an average of about 0.5 million bpd, or 0.5%.

The underestimate has arisen because US producers have been even more successful in cutting costs and boosting average well productivity than the agency expected.

Since the beginning of 2019 realised production has continued to rise - even as the agency's critics have said it should be falling based on a reduced rig count.

The EIA's weekly production estimates, which have proved a reasonably accurate predictor for actual production in the past, indicate monthly output continued to climb in October and November.

With front-month US oil futures prices up by almost $6 a barrel (11%) since early August, easing some pressure on domestic producers, it seems likely that output will continue rising at least into early 2020.

The agency's forecast of continued, albeit slower, production growth next year seems reasonable, unless prices sink again. (RTRS)

'Symmetric', now a Fedspeak staple, may point to endgame for US framework debate

Fed not alone in struggling to hit its inflation target

WASHINGTON, Dec 15, (RTRS): After 14 conferences, a couple dozen research papers and presentations and some very dense math, the Federal Reserve's hunt for a better way to reach its inflation target may boil down to a single word: symmetric.

The word, meant to convey a tolerance for inflation periodically running a bit hot without the Fed rushing to quash it, is emerging as the touchstone of a concerted push to change how an elusive price goal is understood by the public.

The persistent run of US inflation below the central bank's 2% target for most of the post-financial crisis era has bedeviled Fed officials eager to avoid the anemic growth and even falling prices that plague Japan and Europe.

When they launched a review of the Fed's monetary policy "framework" a year ago, it was partly to analyze several ambitious but complex ideas for addressing the inflation shortfall. Those ideas involved a formal pledge that interest-rate decisions would be used to "make up" for bouts of weak inflation with fully offsetting periods of higher inflation.

This file photo shows a television screen on the floor of the New York Stock Exchange shows Federal Reserve Board Chair Jerome Powell's Washington news conference. (AP)

Downplayed

But in recent weeks the four officials steering the review, including Vice-Chair Richard Clarida, have downplayed chances for wholesale change when the debate wraps up next year.

A simpler alternative may have already been put into motion: Pledge to keep rates at the current low level until inflation rises, and make clear in any statements or speeches that the Fed will be in no rush to squelch it when it does.

Over the past year Fed Chairman Jerome Powell and policymakers in general have made that point clear, leaning heavily on the word "symmetric" to describe their inflation target.

"Symmetric" was used to describe the inflation target in a January 2017 Fed statement of long-term strategy. At that point it was intended to make clear that 2% was not an upper limit on the pace of price increases, and to counter criticism that the Fed only cared if inflation was too high.

Under Powell, however, the word has become a Fed staple. He used it 31 times in the eight press conferences he has held since last December. It has appeared at least twice in each of the 14 policy statements issued during his chairmanship, save for the first.

By contrast, it never appeared more than once in a statement under former Chair Janet Yellen, and she used the term sparingly in her press conferences.

Presidents of the Fed's regional banks also use the word frequently and often explain it to mean they would not only tolerate a period of inflation running above 2%, they would see it as a healthy development after years of missing their mark.

Between that shift in language, other public comments, and the minutes of recent meetings, the broad direction of the Fed's framework review may already be coming into focus: Coax public inflation expectations higher by emphasizing a readiness to let it run above 2% for perhaps an extended period of time.

Fed Governor Lael Brainard has coined another term for it – "opportunistic reflation" – that captures the spirit of some of the more complicated systems debated this year without the same risk, complexity or strict policy commitment. St Louis Fed President James Bullard has said ideas discussed during the review would be worked into policy "slowly over time" rather than written "in stone."

To some, that spells a lost opportunity after a year of extensive research, detailed discussions with academics and a series of "Fed Listens" sessions with the public.

One motivation for the review is the persistent low level of the Fed's target policy interest rate, which leaves the central bank little room to cut rates before hitting zero and having to deploy less conventional policies like bond purchases to lift the economy during a downturn.

"I am fearful that they might be on track for only a modest evolution of the current framework," said David Wilcox, former head of the Fed's research and statistics division, now at the Peterson Institute for International Economics. "I don't perceive that they are laying the groundwork for a bold innovation in monetary policy."

The Fed is not alone in struggling to hit its inflation target, first set publicly in 2012. Japan and Europe have the same problem, and the European Central Bank has the added dilemma that its 2% inflation goal is an explicit ceiling – hardwiring lower expectations into the euro-zone economy.

Research suggests there is no easy fix.

Several solutions analyzed this year, which for example would target things like a "price level" or rather than inflation, are considered to hold potential benefits - in theory. As a practical matter, they are seen as hard to explain and administer, and easy for future central bankers to ignore if conditions change.

Moreover, with rates already so low, any formal "make up" strategy could "necessitate a very extended spell of extreme policy accommodation," that could raise other risks such as stock market or financial bubbles, Oxford Economics analyst Kathy Bostjancic wrote recently.

What Fed officials perhaps fear most is that households and businesses will become so accustomed to below 2% percent inflation, they will start acting as if it's the norm.

That's where all the talking comes in.

Fed officials may be wary of making specific promises, but they have already begun "socializing" the idea that if inflation does rise they may, at least for a while, stand aside.

Govt pushes motorists to use cheaper, cleaner and plentiful natural gas

More Egyptians convert to dual-fuel vehicles

CAIRO, Dec 15, (RTRS): The number of Egyptians switching to dual-fuel vehicles is accelerating as the government pushes motorists to use cheaper, cleaner and plentiful natural gas.

About 300,000 vehicles, mostly taxis and minibuses, have been converted to dual-fuel systems since the 1990s – a small fraction of the 11 million vehicles licensed in the country.

But authorities are encouraging more drivers to switch by subsidising vehicle conversions, keeping compressed natural gas (CNG) prices low, and building CNG fuelling stations and conversion plants.

Nearly 32,000 vehicles were converted during the financial year from July 2018 to June 2019, two petroleum ministry officials said. The target for this financial year is 50,000 vehicles. That compares with just 6,000 conversions in 2015/16.

Officials say the number of private cars converting is rising. They hope this will soften the blow of petrol price hikes after recent subsidy removals, as well as reducing pollution and cutting the import bill for liquid fuels.

Egyptians have seen steep increases to fuel prices since 2014, with most energy prices brought up to international levels under a three-year, IMF-backed reform plan completed this year.

But gas has remained cheap compared with liquid fuels.

One cubic metre of CNG costs 3.5 Egyptian pounds, roughly the equivalent of one litre of diesel at 6.75 pounds or one litre of 80-octane petrol at 6.5 pounds.

"The ministry of petroleum has maintained an appropriate price so that natural gas always stays at 50% of the 80-octane petrol (price), which encouraged drivers to turn to conversion," said Abdelfattah Moustafa Farahat, head of Egyptian International Gas Technology GASTEC.

Private cars now make up 30% of conversions, Farahat said.

Officials say a boom in natural gas production and exploration since the discovery of the giant offshore Zohr gas field in 2015 spurred them to act. Egypt became self-sufficient in natural gas in late 2018.

"The discovery of Zohr field and achieving self-sufficiency in natural gas have encouraged the state to think: why don't we use this gas as a domestic fuel and work to expand its use," said ???? Ayman Shalaby, assistant vice chairman at the Egyptian Natural Gas Holding Company (EGAS).

GASTEC is one of two state-run companies, along with the Natural Gas Vehicles Company (Car Gas), that dominate the sector. Private and foreign companies have also entered the market the past few years.

GASTEC plans to set up 54 new dual-fuel stations with CNG over the next three years, in partnership with Italy's Eni , as well as building more fuelling stations for public buses, Farahat said. Currently, Egypt has 187 CNG fuelling stations and 72 conversion centres.

The government also has a plan for minibuses, a common form of cheap transport across Egypt. Under the scheme, 142,000 minibuses would be converted and another 88,000 old diesel minibuses replaced with biofuel equivalents over the next three years, while more than 350 fuelling stations would be built.

Motorists gave the dual-fuel system mixed reviews. Some praised cost savings on fuel, but complained of reduced power or luggage space.

Officials say conversions are preceded by technical checks and the cylinder size and shape can be adapted to the vehicle.

The government is subsidising and providing low-interest instalment plans for conversion systems, which cost 5,000-7,500 pounds ($310-$465), as well as encouraging assembly plants and importers to provide vehicles with built-in systems.