

Opec mulls oil supply target hike to calm prices

REUTERS, Singapore

Opec is considering raising crude supply next week for the first time since 2007 in a move that could weaken \$100 oil prices and lessen the drag of high energy costs on global economic growth.

The Organization of the Petroleum Exporting Countries, which pumps more than a third of the world's oil, may raise supply targets by as much as 1.5 million barrels per day (bpd) when ministers meet on June 8, a delegate said on Thursday.

"There is a need for an increase to replace the loss from Libya," the delegate said. "Oil prices are too high. \$100 oil is scaring people."

The most likely outcome of the meeting would be for a rise of 1 million bpd, the delegate added.

"That would be calming for prices," the delegate said.

A target rise of 1 million bpd would result in only a small increase in actual oil supply from the group, the delegate said. That was because part of the rise would simply absorb above-target supply that some members of the group in Opec were already pumping, the delegate added.

The 11 members of the group bound by Opec production targets pumped 26.23 million bpd in May, nearly 1.4 million bpd above their 24.84 million bpd target.

Raising formal output targets would force Opec to confront tough issues aside from over-production. Top oil exporter Saudi Arabia holds most of the group's spare capacity so is likely to produce most of any extra oil supply.

Other members would be reluctant to cede their theoretical share of any supply target increase, even if they are already at full capacity.

Opec members Iran, Libya and Venezuela could resist any rise in targets, industry publication Energy Intelligence reported on Wednesday, citing an OPEC insider.

Iranian Opec governor Mohammad Ali Khatibi declined to comment on Thursday on whether the group would agree a production increase in Vienna next week.



REUTERS

Opec building is pictured in the centre Vienna.

"We will discuss it in the next meeting," Khatibi said at a gas exporters group meeting in Cairo when asked whether Opec would increase supply. "We should see all fundamentals... all indicators."

Libya, whose top oil official recently defected amid continued bloodshed there, would not want other Opec members to officially divide its share of the targets, the delegate said. Civil war has cut its exports.

With so many complications, another delegate saw no need for a formal change and said Opec members could simply flout official targets to meet demand.

"Why bother?" he said. "Everybody is pumping what they want anyway and getting the money they want and more."

A rise in targets would go against analyst expectations in a Reuters poll for the producer group to leave output unchanged at the meeting.

Brent crude fell 38 cents to trade at \$114.15 a

barrel at 0905 GMT on Thursday. US crude traded just below \$100.

Brent has traded above \$100 since early February, prompting consuming governments to warn of the impact of high oil prices on economies still fragile after the global financial crisis.

The West's energy watchdog, the International Energy Agency, last month urged producers to boost supplies to help lower fuel costs and protect the economic recovery.

Data this week from top oil consumer United States has exacerbated concerns that the recovery in the world's largest economy is running out of steam. US companies hired fewer workers than expected in May and output in manufacturing slowed to its lowest levels since 2009.

China, the engine of global oil demand growth for more than a decade, is also slowing down. Chinese factories expanded in May at

their slowest pace in at least nine months.

But fuel costs were only part of a wide list of factors impacting economic expansion, the delegate said.

"Some of it is the oil price, but that is not the whole story," the delegate said.

Even if a target increase results in few additional barrels of oil on the market, it could soothe Libyan supply concerns and worries about high fuel costs, JP Morgan oil analyst Lawrence Eagles said.

"This would be a positive policy step as far as consuming countries are concerned," Eagles said.

"Higher output is clearly good news for a global economy that is going through a soft spot," JP Morgan analysts led by Eagles said in a report on Wednesday.

"But it is not clear yet if it is enough to prevent oil prices from moving higher in the third quarter."

Top oil exporter Saudi Arabia boosted oil supply in February to plug the gap left by Libya, where civil war cut output. But it reduced supply again in March, citing a lack of demand. OPEC has taken no formal decision to supply more oil to compensate for Libya's supply disruption or to ease prices.

Saudi Arabia and other Gulf producers are wary of the impact high oil prices might have on the economy and on demand. As recently as February, Saudi Oil Minister Ali al-Naimi had said a price of \$70-\$80 per barrel was fair to both producers and consumers.

A slightly wider range of \$70-\$90 per barrel would still be good for both, an Opec delegate said on Thursday.

Saudi Arabia's oil price needs have risen as it has offered \$130 billion in handouts to stave off grievances that could stoke unrest similar to that rocking much of the Arab world.

Opec has kept formal supply policy unchanged since late 2008, when the group agreed record cuts to match the sharp fall in demand as the financial crisis engulfed the economy.

80pc of advertisers renew: Twitter CEO

REUTERS, Palos Verdes, California/san Francisco

More than 80 percent of the companies that advertise on Twitter renew their marketing efforts on the microblogging service, the company's chief executive said on Wednesday.

But while the Internet company is focused on building an advertising-based business, CEO Dick Costolo said the company's future was not dependent on floating shares in an initial public stock offering.

Twitter's long-term success is not "correlated" with an IPO, Costolo said at the D9 conference, organized by the News Corp.-owned tech news blog AllThingsDigital.

Investors are closely watching fast-growing social networking companies like Twitter and Facebook, in the hopes that they could become the next blockbuster IPOs. Last month, professional social networking site LinkedIn Corp made its debut as a publicly-listed company, with its shares doubling from their offering price on the first day of trading.

Twitter, which has more than 200 million registered user accounts, allows people to send short, 140-character messages and to follow the so-called Tweets of friends and celebrities.

On Wednesday, Costolo unveiled a new feature to make it easier for users to append photos directly in their Tweets, a feature which previously required using third-party software applications. Twitter also announced improved search functionality for the service.

Greece to present new austerity plan

REUTERS, Athens/Madrid

Greece intends to present a fresh austerity plan on Friday, a government official said, after Moody's cut its credit rating deep into junk territory and said there was an even chance of eventual default.

The budget plan will include a faster pace of privatisation and 6.4 billion euros (5.6 billion pounds) of new savings, including some tax rises, to eat into Greece's debt mountain, the senior official told Reuters.

Talks between Athens and inspectors from the European Commission, European Central Bank and International Monetary Fund are expected to wind up on Friday and Prime Minister George Papandreou will present the details to Luxembourg's Jean-Claude Juncker, who chairs the group of eurozone finance ministers.

The euro rose in response to the Reuters report.

Greece signed up to a 110 billion euro bailout in May last year and as well as working to secure the latest portion of that, is discussing a second rescue deal

that could total some 65 billion euros to tide it over through 2013.

Greek officials are hopeful the "troika" of institutions will now release a 12 billion euro loan tranche Athens needs to cover its immediate funding needs.

Minds will be concentrated after ratings agency Moody's downgraded Greece by three notches deep into junk territory, citing a growing risk that Athens would have to restructure its debt and impose losses on private investors.

Short-dated Greek bond yields were up to 45 basis points higher on Thursday, while the cost of insuring against a default rose 40 basis points to 1,470..

"It looks increasingly likely some sort of package will be cobbled together," said Nick Stamenkovic, rate strategist at RIA Capital Markets. "But until then investors are wary and there's a huge amount of uncertainty given the political problems."

EU and ECB policymakers have differed over the shape of a second rescue, with the latter arguing firmly against any form of debt restructuring.

Russia bans EU vegetables over E.coli, EU protests

REUTERS, Moscow/London

Russia banned imports of raw vegetables from the European Union on Thursday because of a deadly E.coli outbreak centred in Germany, a move branded "disproportionate" by Brussels.

German health officials said the infections, which have killed 17 people and made more than 1,500 others ill in eight European countries, could go on for months and their precise source may never be pinned down.

Russia had already banned imports of vegetables from Germany and Spain over the outbreak, which German officials originally blamed on contaminated cucumbers imported from Spain before backtracking and apologising to Madrid.

Rich nations on track with \$30b climate aid

REUTERS, Oslo/London

Earthquake-hit Japan and many other rich nations are reaffirming pledges to give \$30 billion from 2010-12 to help poor nations fight climate change despite budget cuts, a Reuters survey showed on Wednesday.

Climate aid has totalled \$16.2 billion since January 2010, according to submissions to the United Nations by a May deadline. Poor nations have said much of the cash is from existing programs and is not new as promised.

Donors were led by Japan, the European Union and the United States. Spending includes projects such as an Australian plan to help the Solomon Islands slow coastal erosion and investments by Tokyo in Africa to promote solar energy.

"Aid is definitely coming through the pipeline," said Liz Gallagher, an expert at the E3G environmental think-tank in London. But she said that many projects lacked ambition to help countries carry out a radical shift toward a greener economy.

At a UN summit in Copenhagen in 2009, President Barack Obama and other leaders promised "new and additional" climate aid approaching \$30 billion from 2010-12, rising to \$100 billion a year by 2020 to help the poor combat global warming.

Japan, by far the top donor under the "fast start" project with a promised \$15 billion over three years to 2012, said that it would stay on track despite the cost of its own recovery from the devastating earthquake and tsunami in March.

"Faced with an unprecedented disaster, the Great East Japan Earthquake, Japan is determined to overcome the catastrophe and to continue to faithfully implement the commitment on the fast-start financing," Japan's report said.

"We are sure that we can accomplish our (\$15 billion) pledge," Akira



REUTERS

World Wildlife Fund (WWF) activists light candles representing the earth as they demonstrate on the sidelines of the UN Climate Change Conference COP16 in Cancun December 5, 2010.

Yamada, who will head Japan's delegation at the next round of UN climate talks in Germany from June 6-17, told Reuters.

Tokyo said it had provided \$6.3 billion in aid from public sources from 2010 to March 31, 2011 as part of the aid meant to help the poor cut greenhouse gas emissions and adapt to changes such as more heatwaves, floods, droughts and rising sea levels.

Developing nations say that much of the Japanese cash was committed as part of a previous "Cool Earth" partnership agreed long before Copenhagen.

Still, Gallagher at E3G said it was encouraging that donors were reaffirming their promises at a time of weak economic growth, despite big uncertainties about what they meant by new and additional funds.

The European Union said that it had provided 2.34 billion euros (\$3.36 billion) in 2010, or 98 percent of a promised 2.40 billion, and was on track to slightly overshoot a total

pledge of 7.2 billion euros by 2012.

"At least from the EU side that's on track," said Artur Runge-Metzger, the EU's chief climate negotiator. He added that it was "good news" that Japan had reaffirmed its commitment.

The United States said it had provided \$1.7 billion in 2010 and has promised an unspecified "fair share" over the three-year period. Budget cuts this year are likely to reduce U.S. aid.

Almost 200 nations agreed to provide details of their fast-start spending "by May 2011" as part of a package of measures agreed in Mexico last year and meant to step up the fight against global warming. Most took that to mean May 31.

UN negotiators will meet in Bonn, Germany, next week to discuss issues such as the fate of the UN's Kyoto Protocol for cutting emissions and plans for a new fund to help channel green aid to developing nations.



AFF

People walk in a "Builders Warehouse" store in Johannesburg on Tuesday as competition authorities approved the US retail giant Wal-Mart's bid for a controlling stake in local firm Massmart. South Africa's competition tribunal gave Wal-Mart the go-ahead to buy a 51 percent stake in Massmart provided the US retailer not lay off any workers for two years -- a condition designed to placate organised labour, which has accused Wal-Mart of union-bashing.