Japan eyes first nuclear restart since quake

REUTERS, *Tokyo*

Japan edged closer to its first nuclear power plant restart since the March earthquake following approval from a Japanese city mayor, but concerns about summer power shortages remained as it was unclear when other plants would follow suit.

Delays in reactor restarts, combined with the shutdown of tsunami-hit plants, have left Japan with only 19 of its 54 reactors still operating. Before the tsunami-triggered atomic crisis, nuclear power provided about 30 percent of Japan's electricity.

Reactors at Kyushu Electric Power Co's 36-year old plant in the town of Genkai in the southern Saga prefecture are likely to be the first to return online, pending an approval from the prefecture's governor Yasushi Furukawa. The Genkai city mayor has already given his consent to the restart.

"The Saga case will not pave the way for others to follow unconditionally," said Tomomichi Akuta, senior economist at Mitsubishi UFJ Research and Consulting Co in Tokyo.

"The government has to show a clear time schedule and benchmark for safety requirements for restarts," he said, adding that after Saga, the next target would be areas suffering from power shortage concerns.

Last week, Japan's trade and energy minister Banri Kaieda, undeterred by several dozen anti-nuclear protesters, tried to persuade local governments in the Saga prefecture that it was safe to restart nuclear reactors.

But Furukawa has said that he would need to take concerns of affected communities into consideration before an approval.

Kyushu would prepare for the restart immediately after approval from Saga's governor, the utility's spokeswoman said, adding that the 559 megawatts No.2 Genkai reactor was likely to be the first to come online.

Electricity power companies remain on high alert to ensure power saving efforts are in place so as to at least secure a minimum reserve margin on electricity supply and avoid having to conduct rolling blackouts.

Kyushu on Tuesday began posting on its company website its forecast for daily maximum electricity demand to urge customers to curb excess electricity use.

"We are asking our customers to make their best effort to save as much electricity as possible, without causing health or other hazards," a Kyushu spokeswoman said.

Utilities generally see a reserve margin of 8-10 percent as a gauge for an adequate supply of electricity.

Chubu Electric Power Co, whose sole Hamaoka nuclear plant was shut after Prime Minister Naoto Kan asked for stricter safety measures, has asked users to save power, especially from Mondays to Wednesdays, when auto factories turn out cars ahead of rest days on Thursday and Friday.

Chubu's president, Akihisa Mizuno, however, has said there were no plans for rolling blackouts.

AFP

A spent fuel pool at the unit four reactor building of TEPCO's Dai-ichi nuclear power plant in Fukushima.

CENTER SEEKS SAGA APPROVAL

On July 8, central government officials will hold a second meeting with residents in Saga to convince them adequate safety measures are in place for the reactors to restart, an official at Saga prefecture government said.

The prefecture assembly will hold a special meeting on July 11 to discuss the restart issue, which appears to be favored by many in the assembly, though it is not clear if they are a decisive majority, the prefecture official said.

Saga governor Furukawa has also asked for assurances from Prime Minister Naoto Kan.

"The outcome of the assembly's meeting and talks with the prime minister are the conditions for Furukawa's decision," the prefecture official said, adding it was not clear how soon the governor could decide after clearing these conditions.

Kyushu Electric had the No.2 Genkai reactor ready for restart in March while No. 3 was ready in April, but it kept them shut pending approvals by local authorities after the March disaster fueled safety concerns.

Its Sendai No. 1 unit is also shut for planned maintenance while the Sendai No. 2 unit, currently in operation, will be shut for a planned maintenance by September 4. Kyushu Electric operates six reactors.

The utility forecast supply of 17,280 MW for the summer but if Genkai No. 2, No. 3 and Sendai No. 1 do not restart, it would be able to supply just 3.5 percent above estimated peak demand.

Developing world need $1tr a year for green tech: UN

AFP, *Geneva*

The world needs $1.9 trillion in green technology investments a year, with over half of that sum necessary for developing countries," the UN said Tuesday.

"Over the next 40 years, $1.9 trillion (1.31 trillion euros) per year will be needed for incremental investments in green technologies," the UN Economic and Social Affairs body said in its annual survey.

"At least one-half, or $1.1 trillion per year, of the required investments will need to be made in developing countries to meet their rapidly increasing food and energy demands through the application of green technologies," it added.

At the moment, "external financing currently available for green technology investments in developing countries is far from sufficient to meet the challenge," it assessed.

Over the last two years, climate change funds managed by World Bank disbursed about $20 billion, a fraction of the sum necessary for developing countries to build up clean energy technologies, sustainable farming techniques and technologies that help cut non-biodegradable waste production.

Even though states agreed during a 2009 Copenhagen summit to spend $30 billion over 2010 to 2012 and $100 billion a year by 2020 in transfers to developing countries, these sums have not been realised.

They would also fall short of the actual investment required.

"The survey estimates that developing countries will require a little over $1 trillion a year in incremental green investment," said the report.

"While a large proportion of the incremental investment would ultimately be financed from developing countries' public and private resources, international financing will be indispensable, particularly in the early years, in jump-starting green investment and financing the adoption of external technologies," it added.

Author of the report Rob Vos said that "business as usual is not an option."

Indian central bank fines Citigroup

AFP, *Mumbai*

India's central bank on Monday said it had fined a unit of US banking giant Citigroup $55,000 for flouting guidelines on customer background checks and money laundering.

The Reserve Bank of India said it had imposed the 2.5-million-rupee penalty because a branch of Citibank in Gurgaon, in the northern state of Haryana, had failed to follow rules relating to the opening of accounts.

The fine comes after a police investigation was launched in January this year into claims that employees at the branch forged letters to divert funds and sell fake investment schemes in a multi-million-dollar scam.

One Citibank executive in the satellite town, which is home to a number of international firms, was arrested on suspicion of defrauding

Chinese local debt understated by $540b: Moody's

REUTERS, *Beijing*

China's local government debt burden may be 3.5 trillion yuan ($540 billion) larger than auditors estimated, putting banks on the hook for deeper losses that could threaten their credit ratings, Moody's said on Tuesday.

Addressing the estimate by China's state auditor that its local governments have chalked up 10.7 trillion yuan of debt, Moody's said it found more potential loans after accounting for discrepancies in figures given by various Chinese authorities.

"The potential scale of the problem loans at Chinese banks may be closer to its stress case than its base case," Moody's said in a statement.

In view of that, the non-performing loan ratio for Chinese banks could be as high as 8-12 percent, compared with 5-8 percent in the base case and 10-18 percent in the stress case.

Unless China comes up with a "clear master plan" to clean up its pile of local government debt, the credit outlook for Chinese banks could turn negative, the ratings agency said.

In a bid to assuage investor worries about the potential souring of its massive local government debt, different Chinese authorities including the state auditor, the bank regulator and the central bank have tried to assess the situation.

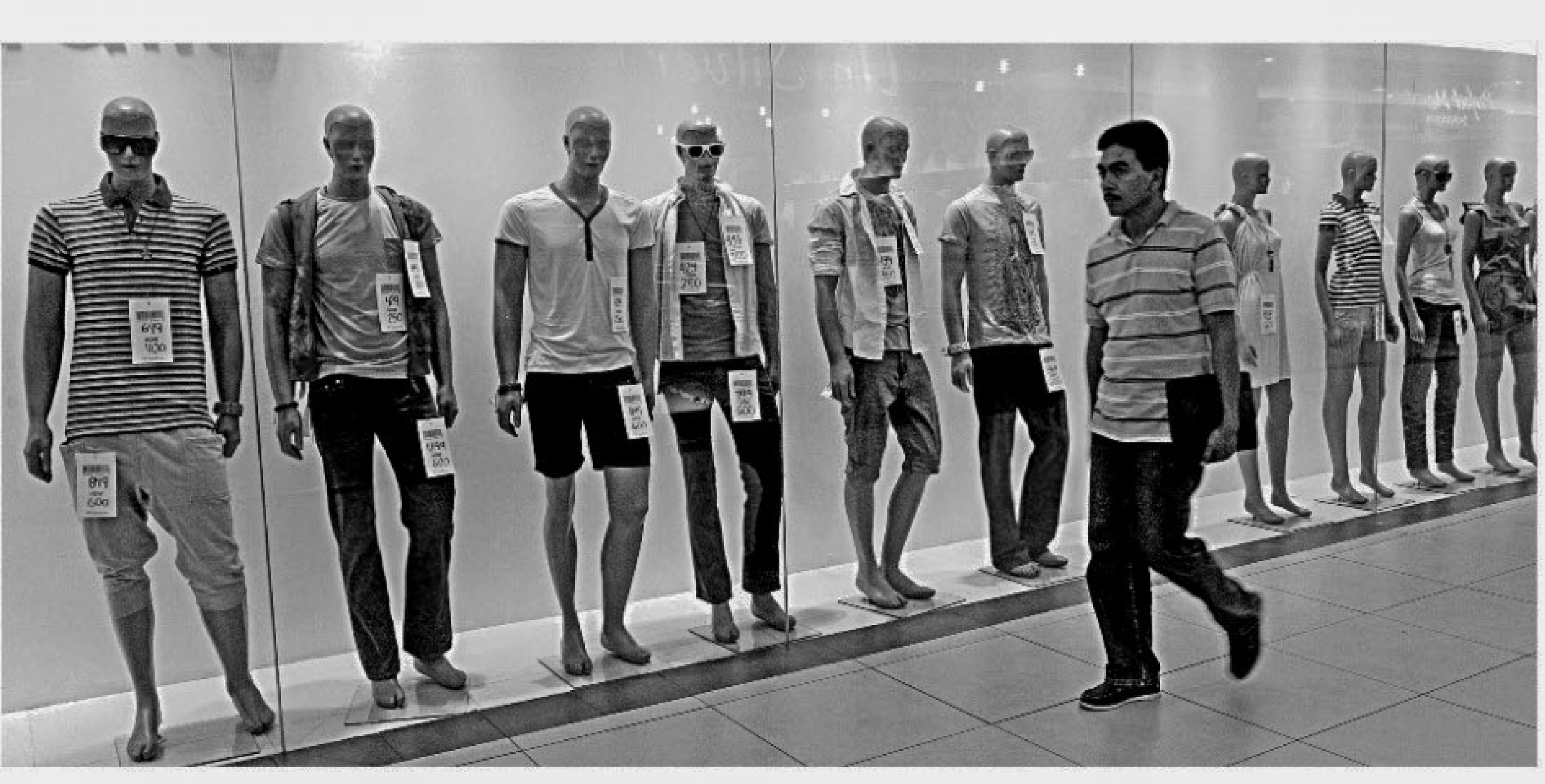
But all three agencies have used different definitions and accounting methods to review the debt, resulting in a hodgepodge of official forecasts.

Moody's said it derived the additional 3.5 trillion yuan of debt after comparing the estimates of China's state auditor with that of the bank regulator's.

The ratings agency said the Chinese state auditor likely omitted the 3.5 trillion yuan of debt from its assessment because they were not considered as real claims on local governments.

"This indicates that these loans are most likely poorly documented and may pose the greatest risk of delinquency," said Yvonne Zhang, a Moody's analyst.

Moody's said it expects Beijing to "implement gradual discipline" over the stock of government debt, and that would involve the Chinese government leaving banks to manage a part of the problem loans on their own.



AFP

A man walks past a shop window in Quezon City, suburban Manila yesterday. Philippine inflation hit a 26-month high of 4.6 percent in June, the government said, a month after the central bank said pressure on price increases were easing.

French G20 commodity rule hope may prove forlorn

REUTERS, *Paris*

France's push to get the world's leading economies to toughen regulation on commodity markets may prove to be like herding cats as most governments see little benefit in new rules that could harm their financial interests.

Many say improving market transparency and raising food production is the way to tackle price volatility and few expect last month's call by G20 farm ministers for regulation to bring coordinated hard action among the Group of 20 leading economies.

"The chances of this happening are quite slim," Commerzbank analyst Carsten Fritsch said. "Views are quite different among G20 countries and this makes it quite difficult to come up with any specific measures which are relevant for every country, and if any country goes ahead alone it risks losing market share."

French President Nicolas Sarkozy has put a crackdown on commodity speculators at the heart of his G20 presidency in 2011, blaming speculation for a surge in staple food prices that has led to political unrest in North Africa and the Middle East.

Sarkozy, who has drawn parallels between regulating commodities and combating the mafia, has proposed to limit positions large investors can take, create identity cards for operators, or regulate over-the-counter trades.

The FAO's food price index has risen by nearly 40 percent in the last 12 months as Russia's grain export ban last summer and adverse weather this spring led wheat and corn to record prices.

Grain trade has also become extremely choppy.

Euronext wheat futures lost a quarter of their value between mid-February and mid-March before rebounding 37 percent until end-May and plunging again 22 percent last month.

AFP

French President Nicolas Sarkozy (L) attends a ceremony as part of the commemoration marking the hundredth anniversary of the birth of late French president Georges Pompidou yesterday in Montboudif (the birthplace of Pompidou), central France.

Data showing surprisingly high U.S. corn supplies sent Chicago corn prices down 10 percent on Thursday, a volatility that Michel Portier from consultancy Agritel calls "irrational".

France said this exacerbated volatility had lent weight to its efforts to put more trading under the thumb of regulators, but many disagree that speculators are to blame.

"We are not persuaded that speculation is the fundamental problem," UK farming minister Jim Paice told Reuters last month.

Observers say recent yo-yo moves in wheat prices were spurred by physical factors rather than excessive speculation. Prices surged in May as adverse weather threatened European and U.S. crops, and largely fell in June on the expected return of leading Black Sea grain producers to the international markets.

Demand for food commodities has been rising strongly due to population growth, higher incomes, changing diets in emerging nations and the increased use of crops to make biofuels, and key producing nations such as Argentina and Brazil say only a sharp rise in production can help reduce market imbalances.

This belief shifts the focus away from calls for regulation.

Concern from some countries that tighter trading rules would harm their interests also caps any inroads on that front.

Britain for instance fears tougher regulation would reduce the appeal of its financial market hub in London.

"China is also opposed to regulation. The country cannot entirely cover its immense food needs and it must have access to a very free world market to ensure its food security at the best possible price," said a source close to G20 negotiations.

Coordinating regulation efforts among so many countries may also prove difficult, if not impossible, experts say.