Economics of climate change should dictate policies

QUAMRUL CHOWDHURY

DESPITE all sluggishness and odds across the globe, including U-turn from Donald Trump and couple of others, under the 1992 United Nations Framework Convention on Climate Change (UNFCCC), 195 member states can still be rescued from runaway climate crisis, if leaders take bold actions right away to cut socio-economic costs, annual GDP losses, and protect the planet.

What is now urgently required is very large-scale, immediate transformation to set a course to reach a net-zero emission in the future by limiting the temperature rise to 1.5-degree Celsius.

Many economists, including Sir Nicholas Stern and Joseph Stiglitz as well as climate pundits argue that a major ramp-up of national commitments in 2020 is essential to keep the Paris Agreement's goals within reach. They also see lot of opportunities, very positive returns and benefits. Countries will benefit from enhancing their nationally determined contribution (NDC) in other ways as well, including helping achieve the Sustainable Development Goals (SDGs) and alert public finance institutions and donors of major investment opportunities.

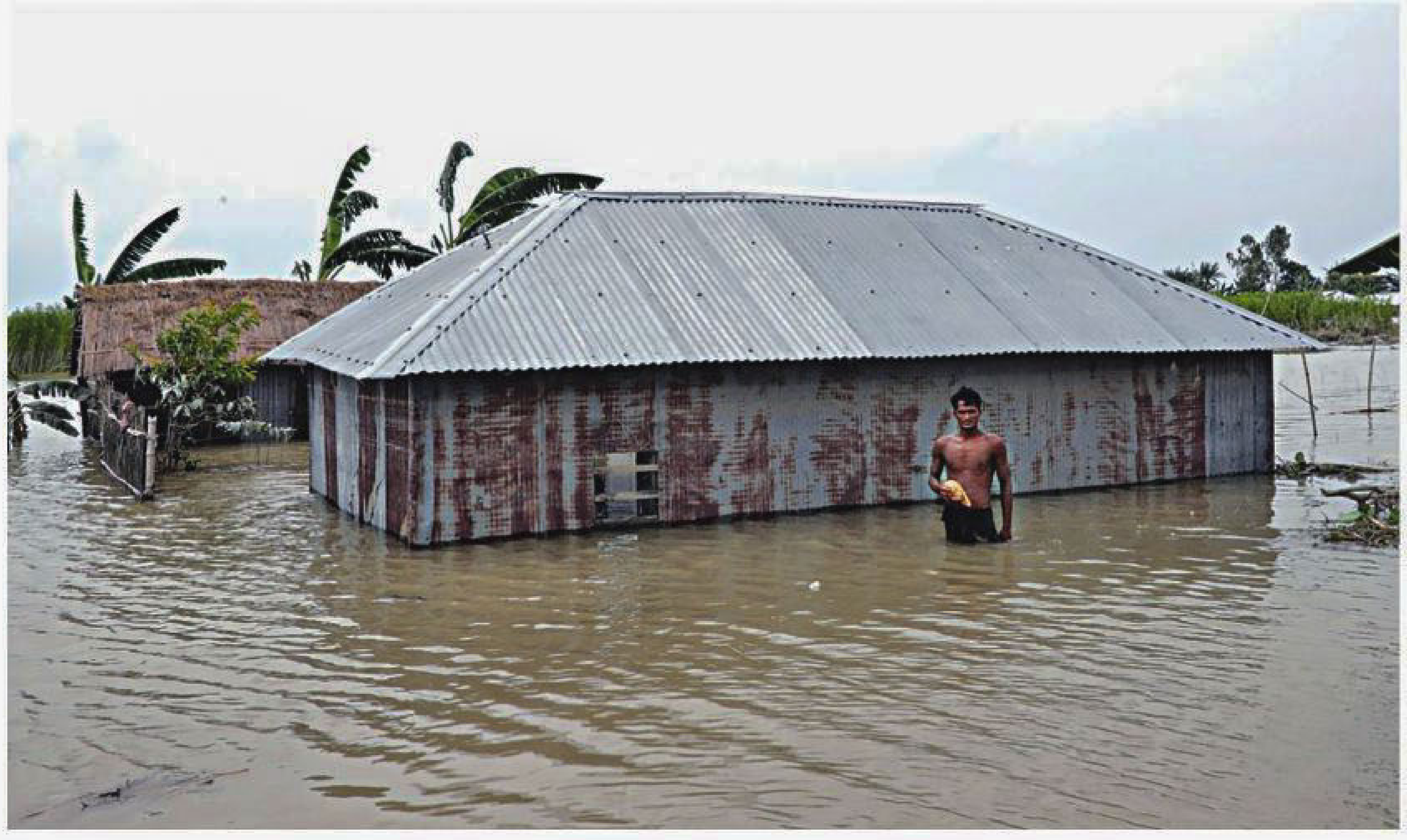
Under the 2015 Paris Agreement every country, developed or developing, rich or poor, agreed to prepare and communicate an updated NDC every five years, showing progress toward its highest possible ambition. Countries are now preparing to submit new or updated NDCs by 2020.

In order to fulfil the ambition, the UN Secretary General has convened the Climate Action Summit in New York next week. This summit is for galvanising global political momentum to deliver much stronger national climate plans at this key moment and just ahead of the 25th Conference of Parties (COP 25) in Santiago in December.

The United Nations Development Programme and the World Resources Institute on September 18, 2019 released a joint publication titled "Enhancing NDCs: A Guide to Strengthening National Climate Plans" to help assist the crucial UN process. It is designed to help practitioners think how to structure a country's NDC across three dimensions: strengthening targets to reduce emissions (mitigation), enhancing climate resilience (adaptation), and clearly communicating their actions to build trust and facilitate effective implementation.

Apart from this guidance, there are also some resources for countries to enhance national climate plans under the Paris Agreement. Some countries have committed to strengthening their NDCs in 2020, but many others, including Bangladesh, are yet to revise it.

Another interesting joint report styled "The Heat is On: Taking Stock of Global Climate Ambition" was also released on September 18 by the UNDP and the UNFCCC, offering the most comprehensive assessment to date on the world's climate ambitions.



REUTERS

The file photo shows floods in Jamalpur district exceeding previous levels that manifests the effects of climate change in Bangladesh.

It shows huge ambition gap to reach the global goal on both mitigation and adaptation.

The Global Adaptation Commission, led by UN former secretary general Ban Ki-moon, in its report published on September 11 has also shown investing $1.8 trillion in adaptation in five key sectors from 2020 to 2030 could generate $7.1 trillion in total net benefits. As a lead climate negotiator for LDCs for many years, I have also argued that the cost of adaptation is on the rise but socio-economic benefits are manifold although adaptation has also limits.

Now the trillion dollar question is how to take advantage of the opportunities across a range of areas, including power, forests, oceans, agriculture, transportation and short-lived climate pollutants. How Bangladesh and many other least developed countries (LDCs) and developing countries would like to seize the opportunities and mount pressures on industrialised countries to cut back their greenhouse gas emissions is a huge challenge.

As a lead author of the Bangladesh Climate Change Strategy and Action Plan 2008, updated in 2009, I know that this flagship document is now being revised. The inception workshop to formulate the Bangladesh National Adaptation Plan (NAP) based on the Bangladesh National Adaptation Programme of Action 2005, revised in 2009, is all set to be held next month. I hope the NAP would be prepared in a participatory consultative process involving all major stakeholders, sectors and regions.

I think economics of climate change should dictate our policies at national level as well as global level to help rescue nations from current climate emergency.

The author is a sustainable development, climate and environment specialist, a former chair of the UN Kyoto Protocol Joint Implementation Committee, and a member of the UN Adaptation Committee. He can be reached at quamrul2030@gmail.com.

LNG prices may hit 10-year seasonal lows: traders

REUTERS, London

ASIAN LNG prices will likely be at their lowest, seasonally, in a decade by the end of the year as rapidly rising production outstrips feeble demand, weighed down by a global economic slowdown and the US-China trade war, traders said.

Most trade sources in a Reuters survey forecast spot Asian liquefied natural gas for December delivery to go no higher than $6 per million British thermal units, which would be the lowest for that month since Refinitiv began collecting such data in 2010.

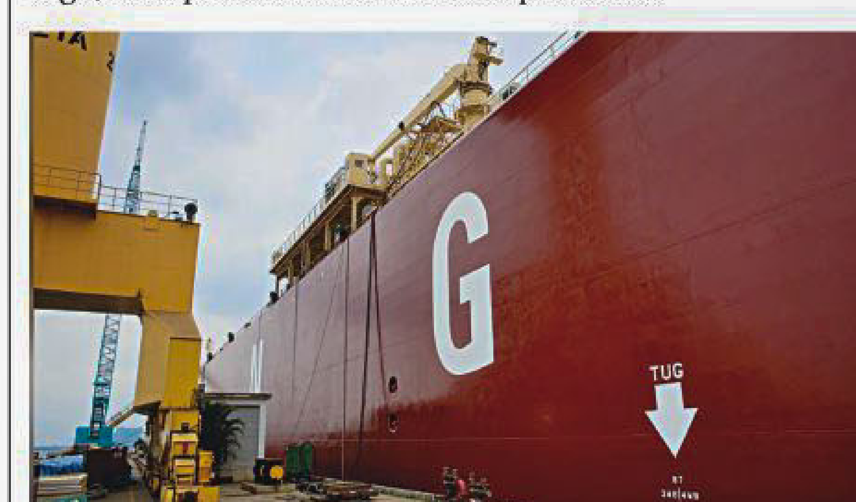
They said January and February prices were unlikely to rise much above December's level. Six dollars per mmBtu is lower than the current price of financial LNG contracts, indicating traders see them as overvalued.

Supplies of the super-chilled gas have been boosted in the past year by new terminals in Australia, Russia and especially the United States. This rise has upended gas markets in Europe, bringing continent-wide inventories to multi-year highs.

Spikes in crude oil and European gas prices over the past two weeks failed to alter the bearish mood. Industry sources said low spot buying from Asia and full stocks in Europe were the major reasons for weak prices this winter.

"I don't see a clear premium market this winter. Japan is not growing, India's buying is opportunistic, China was supposed to be the big place, but now it's not. In Europe, once stocks are totally full there is no way this flow continues," one trade source said.

Traders identified potential issues that in a normal year would boost prices - a looming Ukraine-Russia gas dispute, surprise outages, sudden cold snaps like the 2018 "Beast from the East", to name a few. But stocks are so high, Europe could weather such problems.



REUTERS/FILE

A South Korean-owned LNG tanker is seen at Sembawabg shipyard in Singapore.

178-year-old Thomas Cook collapses: Why and what happens now?

REUTERS, London

THOMAS Cook, the world's oldest travel firm, collapsed on Monday, stranding hundreds of thousands of holidaymakers around the globe and sparking the largest peacetime repatriation effort in British history.

What happens now and why did it collapse?

WHO IS AFFECTED?

The firm ran hotels, resorts and airlines for 19 million travellers a year in 16 countries, generating revenue in 2018 of 9.6 billion pounds ($12 billion). It currently has 600,000 people abroad, including more than 150,000 British citizens.

Thomas Cook employs 21,000 people and is the world's oldest travel company, founded in 1841. The company has 1.7 billion pounds ($2.1 billion) of debt.

WHAT HAPPENS TO TOURISTS?

The British government has asked the UK Civil Aviation Authority (CAA) to launch a repatriation programme over the next two weeks, from Monday to Oct. 6, to bring Thomas Cook customers back to the UK.

"Due to the significant scale of the situation, some disruption is inevitable, but the Civil Aviation Authority will endeavour to get people home as close as possible to their planned dates," it said.

A fleet of aircraft will be used to repatriate British citizens. In a small number of destinations, alternative commercial flights will be used.

About 50,000 tourists are stranded in Greece, mainly on islands, a Greek tourism ministry official told Reuters on Monday.

The CAA has launched a special website, thomascook.caa.co.uk, where affected customers can find details and information on repatriation flights.

For those customers not flying from Britain, alternative arrangements will have to be found. In Germany, a popular customer market for Thomas Cook, insurance companies will coordinate the response.

WHAT IS THE ADVICE TO PASSENGERS?

"Customers currently overseas should not travel to the airport until their flight back to the UK has been confirmed on the dedicated website," the CAA said.

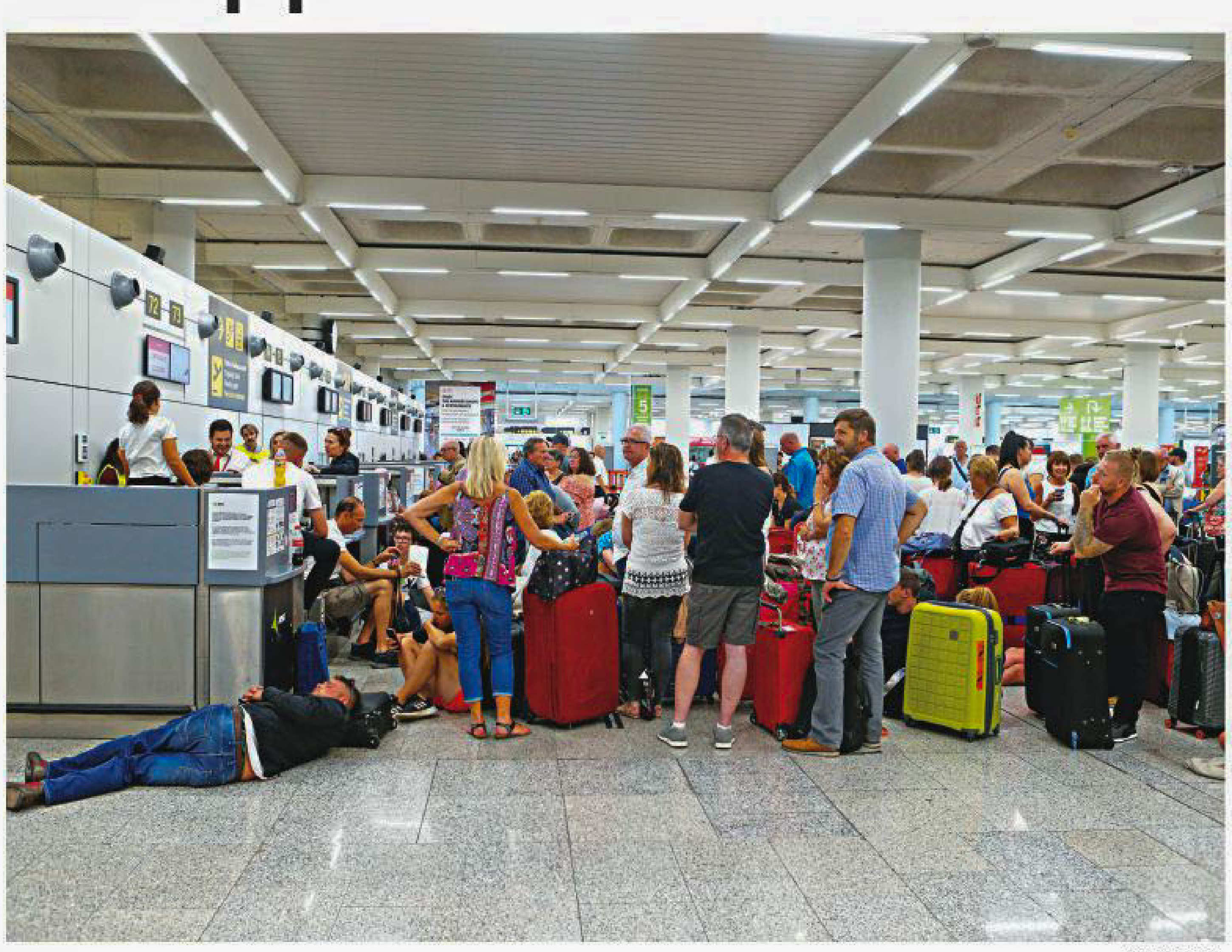
"Thomas Cook customers in the UK yet to travel should not go to the airport as all flights leaving the UK have been cancelled."

WHO WILL PAY FOR THE COST OF HOTELS?

The CAA said it was contacting hotels and other companies likely to be impacted by Thomas Cook's collapse to reassure them they will be paid.

The regulator said that if holidaymakers are being asked to settle bills they should contact the CAA.

Thomas Cook package holiday customers are covered by ATOL Air Travel Organisers Licence which protects accommodation and return flights. However, the CAA said some customers may be asked to relocate to other accommodation.



REUTERS

Passengers are seen at Thomas Cook check-in points at Mallorca Airport in Spain yesterday after the world's oldest travel firm collapsed stranding hundreds of thousands of holidaymakers around the globe.

WHAT HAPPENS IF A HOLIDAY IS BOOKED FOR THE FUTURE?

The CAA says that if customers have not yet started their trips most holidays and flights booked with Thomas Cook are now cancelled and customers should not go to the airport.

THE LIQUIDATION

Thomas Cook said it had entered compulsory liquidation and an order had been granted to appoint an official receiver to liquidate the company.

AlixPartners UK LLP or KPMG will be appointed as special manager for the different parts of the business.

THE INDUSTRY

The impact is already being felt further afield, with Australian travel group Webjet Ltd saying it was 27 million euros ($30 million) out of pocket and British online travel group On The Beach saying it would suffer from helping its customers in resorts who had flown with Thomas Cook.

The collapse could provide a boost, however, to major rival TUI, whose shares surged more than 10% in early Monday trading, and to Europe's overcrowded airline sector, which could benefit from the closure of Thomas Cook's airline.

WHY DID IT COLLAPSE?

Thomas Cook was brought low by a $2.1 billion debt pile that prevented it from responding to more nimble online competition. With debts built up around 10 years ago due to several ill-timed deals, it had to sell three million holidays a year just to cover its interest payments.

As it struggled to pitch itself to a new generation of tourists, the company was hit by the 2016 coup attempt in Turkey, one of its top destinations, and the 2018 Europe-wide heatwave which deterred customers from going abroad.

Thomas Cook needed another 200 million pounds on top of a 900 million pound package it had already agreed, to see it through the winter months when it receives less cash and must pay hotels for summer services.

The request for an additional 200 million pounds torpedoed the rescue deal that had been months in the making.

Thomas Cook bosses met lenders and creditors in London on Sunday to try to thrash out a last-ditch deal to keep the company afloat. They failed.

Under the original terms of the plan, top shareholder Fosun - whose Chinese parent owns all-inclusive holiday firm Club Med - would have given 450 million pounds ($552 million) of money in return for at least 75 percent of the tour operator business and 25 percent of its airline.

Thomas Cook's lending banks and bondholders were to stump up a further 450 million pounds and convert their existing debt to equity, giving them in total about 75 percent of the airline and up to 25 percent of the tour operator business.

Bearish signal for crude as China closes in on filling oil storage

REUTERS, Launceston, Australia

ONE of the fascinating tidbits to come to light in the wake of the attacks on Saudi Arabia's crude facilities was China's disclosure that it has enough oil inventories to last 80 days.

There isn't too much short-term significance in this, other than to confirm that China probably won't be frantic to find replacements for any loss of imports from Saudi Arabia.

But the information is vitally important from a medium to longer term view of the crude oil markets.

China's strategic petroleum reserve (SPR) is largely shrouded in mystery, with no official disclosure of the actual level of inventories in the world's largest crude importer.

It likely surprised the market, however, that Beijing is quite close to the 90 days of import cover recommended by the International Energy Agency (IEA) as the level of reserves that importing nations should hold.

Earlier this year it was estimated by some analysts that China had around 40 to 50 days of import cover.

The figure of 80 days of crude oil in both commercial and strategic storage was released on Sept. 20 by Li Fulong, the head of development and planning at the National Energy Administration.

While Li didn't disclose the exact amount of stored crude, it is likely to be around 788 million barrels, based on taking the average daily imports of 9.85 million barrels per day (bpd) for the first eight months of 2019.

The last time inventories were officially acknowledged was in December 2017, when it was disclosed that reserves as of end-June 2017 were 277 million barrels.

This implies that from July 2017 to Sept. 20 this year, China added 511 million barrels of crude, about 630,000 bpd.

It would also seem that the rate of stock building has been accelerating in 2019, if the difference between the total crude processed at China's refineries and the amount of crude available from both imports and domestic output is calculated.

Domestic output in the first eight months of 2019 was 3.83 million bpd and imports were 9.85 million bpd, giving a combined total of 13.68 million bpd.

Refinery throughput for the same period was 12.74 million bpd, implying that about 940,000 bpd went into either commercial or strategic stocks.

If China does conclude its stockpiling at 90 days of import cover, the implication is that it has about 98.5 million barrels still to go.

At a 940,000 bpd rate, this further implies that the filling of China's storage could be finished in about 105 days.

There is no guarantee, of course, that China will continue to build inventories at the same clip it has been, or indeed that it will stop at 90 days worth of import cover.

But the risk for the global crude market is that sometime in the next six months, and possibly earlier, China may dial back the amount of crude it is buying for storage.

REUTERS/FILE

A crude oil tanker is seen at Qingdao Port, Shandong province, China.