

Reducing oil use to meet climate targets is tougher than cutting supply

REUTERS, New York

Governments around the world have been slow to take uncomfortable decisions to persuade consumers to cut energy consumption to help achieve climate targets, often because consumers are not ready to pay up or compromise their lifestyles.

Researchers, policy makers and energy executives told a Reuters Energy Transition conference this week that while energy companies were under pressure to accelerate measures to reduce emissions, governments have barely addressed reducing demand for the fossil fuels that warm the planet.

Several major energy firms have committed to reducing output of oil and gas - with BP pledging to reduce production by 40 per cent by 2030 - as part of a legally binding international treaty on climate change, known as the Paris agreement, to limit global warming to well below 2 degrees Celsius, preferably to 1.5 degrees.

But a growing population in Asia and booming consumerism in industrialised nations make most climate targets very difficult, if not impossible to achieve.

Just this month, Swiss voters rejected environmental proposals by governments to help the country cut carbon emissions, including measures to raise a surcharge on car fuel and impose a levy on flight tickets.

The International Energy Agency, the steward of energy policies in industrialised nations, last month said the world should not develop new oil and gas fields to achieve net zero targets by 2050.

But its head Fatih Birol said this week net zero targets were a pipe dream without global consumption patterns changing.

"We see a widening gap between rhetoric and what is

happening in real life," he said. So many governments are coming with net zero targets by 2050 and the same year CO2 emissions are growing and it will be the second largest increase in history."

"Consumer behavior needs to change as a result of government steps," he said. Emissions are rising sharply in 2021 after falling steeply in 2020 as a result of global lockdowns to slow the spread of coronavirus.

In France, according to Birol, the government is taking some very early steps to discourage short-distance travel by plane.

At the same time, in Britain the government is busy brainstorming how to revive a holiday season to save the airline and tourism industries.

Birol said the IEA has over 400 milestones of what needs to happen to achieve net zero targets by 2050 and 95 per cent of those

milestones should be driven by changes demand not supply.

Many of those targets - such as banning internal combustion engines car sold by 2030 or 50 per cent of aviation fuels coming from non fossil fuels by 2040 - are still wishful thinking as there is no industry-wide, country-wide or global policy approach to making those targets happen.

The International Monetary Fund has repeatedly criticised developing nations for wasting hundreds of billions of dollars on subsidising cheap diesel and gasoline for the poor. But even in the United States, which consumes a quarter of world's gasoline, prices are just half of those in Britain because of low taxes.

The government of US President Joe Biden has made no signal it would change that.

Instead, Biden is proposing sweeping policy efforts to quickly

electrify the nations vehicle fleet, as well as clean up the power industry that would charge them. But none of those goals will become reality without an act of Congress, an outcome that is far from certain given the country's deep-seated political divisions.

"The transport sector may prove to be the hardest one of all to decarbonized, and not for technological reasons, but really for political reasons, economic reasons, business model reasons and societal acceptance reasons," said Kelly Sims Gallagher, professor of energy and environmental policy at The Fletcher School.

"How do you convince people to buy an electric vehicle? There really isn't a lot on the market that a lower income family can buy... It really is going to require governments to make politically uncomfortable decisions".

A Reuters this month showed that Americans were skeptical about new electric car and truck models, expressing concerns about the potential costs and inconveniences of owning such vehicles.

Sims Gallagher says the policies that would work to incentivize EVs are politically challenging - such as imposing a fee on high emissions vehicles and rebate on low emissions vehicles.

Another challenge is a clean grid and many industrialised countries have old grids that need reconstruction.

Rodolfo Lacy, director at the Organisation for Economic Co-operation and Development, estimates that more than \$500 billion is being given by governments on fuel subsidies globally every year in one form or another.

"We need to start to think about phasing out infrastructure and technologies that we do not need for the future," he said.

Besides direct fuel burn, the jury is still out if the world can afford to continue shipping huge amount of goods daily to deliver computer equipment from China to Europe or south American fruit out of season to the United States.

Asia's rising population will encourage further energy consumption and those people too aspire to have their standards of living improve.

The heads of oil majors such as BP, ENI and Equinor, who took part in the Energy Transition conference made it clear - oil and gas prices were poised to rise as producers reduce their output of fossil fuels under pressure from investors while demand keeps rising.

"I dont sit here saying we have to wait for society... If the supply side moves too early and society doesnt move, well have a mismatch," said BP CEO Bernard Loooney.



A man rides a bicycle as he passes tanks of gasoline in Kasserine, Tunisia.

REUTERS/FILE

Mahmud, Shahin BAJF's new president, gen secy



Golam Iftekar Mahmud and Shahanuaire Shaikh Shahin

STAR BUSINESS DESK

Golam Iftekar Mahmud, senior reporter of daily Prothom Alo, and Shahanuaire Shaikh Shahin, deputy city editor of Daily Bonik Barta, have been elected president and general secretary respectively of Bangladesh Agricultural Journalist Forum (BAJF) for 2021-2022.

Other committee members are Vice President MA Jalil Munna (Daily Ittefaq), Yasir Wardad (The Financial Express), Joint Secretary Zahir Munna (Channel i), Emdadul Huq Tuhin (sarabangla.net), Organising Secretary Abu Khalid (dhakapost.com), Assistant Organising Secretary Rokon Uddin Mahmud (daily Kaler Kantho) and Treasurer ANM Mohibub Uz Zaman (Daily Sun).

Italy's consumer confidence up to near three-year high

AFP, Rome

Consumer confidence in Italy jumped to the highest level in nearly three years in June, while business confidence also rose sharply, official data showed Friday.

It was the latest in a series of positive indicators for the eurozone's third-largest economy, which is recovering from a record recession brought about by the Covid-19 pandemic. The consumer confidence index reached 115.1 from 110.6 in May, national statistics agency Istat said, calling it the highest reading since October 2018.

Meanwhile, the business confidence index hit 112.8, versus 107.3 in May, "consolidating the positive trend" observed since December, Istat said.

With June's reading, consumer confidence returned to pre-pandemic levels, while business confidence had done so already in May.

Italy was the first European country to be hit by the coronavirus pandemic in early 2020, and that year its economy shrank by a staggering 8.9 per cent.

Chinese firm Didi's \$4b IPO books covered on first day of bookbuild

REUTERS

An initial public offer (IPO) by China's Didi Global Inc in New York to raise up to \$4 billion has been fully covered on the first day of its bookbuild, even as some investors fear tougher rules could hurt growth, sources with direct knowledge said.

The offering will be the biggest US share sale by a Chinese company since Alibaba raised \$25 billion in 2014 and is likely to be the biggest US IPO this year.

The ride-hailing giant did not respond to a request for comment on its bookbuilding exercise, set to run until Tuesday, when pricing will be set after the close of the US market, according to a term sheet seen by Reuters.

"Many investors still doubt if Didi can maintain a high growth rate for its core ride-hailing business in China," said a prospective investor at one Hong Kong-based hedge fund who asked not to be identified as he was not allowed to speak to media.

"Its market share is already very high in big cities, which means there is limited room for its future growth," the source added.

"Its also challenging for the company to

expand in lower-tier cities due to increasing competition from rivals, not to mention the potential impact of a regulatory crackdown."

Didi's targeted valuation is less than an initially expected range of \$80 billion to \$100 billion because potential investors expressed concern over its growth prospects and the chance of tighter regulation of Chinese tech firms, the sources said.

The valuation target and raising size were set after initial meetings with investors over the past fortnight.

Didi plans to start trading on Wednesday after a short roadshow for investors for the keenly awaited IPO.

Didi set a price range of between \$13 and \$14 per American Depositary Share (ADS), a regulatory filing showed on Thursday, and said it would offer 288 million such shares in the IPO. At the top of the range, the deal will raise \$4.03 billion.

That suggests a valuation ranging from \$62.4 billion to \$67.2 billion.

An overallotment option could see the company sell an extra 43.2 million shares to raise up to an extra \$605 million.

Deal terms suggest a conservative approach for Didi that sources said had earlier eyed the higher valuation range.

Expand, redesign stimulus for SMEs

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The pace of public expenditure does not support the government's policy of going ahead from the next fiscal year, they added.

Khan also highlighted some areas of concern for the tax measures.

"The corporate income tax (CIT) for mobile financial services (MFS) has been increased to 40 per cent from 32.5 per cent, which will discourage the sector as a majority of MFS providers are making a loss now," he said.

This burden will likely pass onto the end-users who mostly tend to be marginalised people, he added.

Citing the CIT imposed on private universities and private medical colleges, Hosne Ara Begum, founding executive director of TMSS Bangladesh, said non-profit entities and educational institutions should not be brought under such taxes.

Lutfunnisa Saudia Khan, vice president of the IBFB, echoed the same and said the government should withdraw the CIP on educational institutions.

While discussing the tax deducted at source (TDS) on suppliers, some speakers said a 15 per cent hike in TDS on the suppliers' total income tax revenue will be a burden for both businesses and consumers.

Muhammad Abdul Mazid, former

secretary and ex-chairman of the National Board of Revenue (NBR) and current chairman of the finance committee at IBFB, urged the government to spend the country's forex reserve properly rather than keep it idle.

Highlighting the limitation of allocations in the health sector, M Masrur Reaz, chairman of the Policy Exchange of Bangladesh, said the budget allocation was far less than the amount of investment required to increase the sector's implementation capacity.

Lt Gen M Harun-Ar-Rashid (ret'd), chairman of the governmental relation and advocacy committee at IBFB, urged the government to launch an insurance policy for farmers.

Addressing the event as chief guest, Planning Minister MA Mannan summarised some points of the discussion and assured the panelists that he would convey the key messages to the authorities concerned.

Mohammad Mahfuz Kabir, research director of the Bangladesh Institute of International and Strategic Studies; M Humayun Kabir, president of BEI; Hafizur Rahman Khan, the preceding IBFB president; MS Siddiqui, vice president of the IBFB; and Md Ali Afzal, director of the IBFB, also spoke.

bKash donates from 'Add Money' use

STAR BUSINESS DESK

Mobile financial service bKash has launched a campaign donating Tk 10 to the country's healthcare sector for every Tk 5,000 or more added to customer accounts.

The campaign will run till July 9, said a press release.

Money can be added to bKash accounts from 29 banks using VISA and Mastercard while transferred to accounts of four banks from bKash.

Services can also be availed such as sending money and making merchant payments, mobile top ups and utility bill payments round the clock.

On an average, 1.2 million bKash customers have been availing the "Add Money" service every month.

Govt to buy 5 lakh tonnes of wheat from Russia

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For the upcoming fiscal year of 2021-22, the wheat import target has been set at 5 lakh tonnes.

In a period between July 1 in 2019 to June 30 in 2020, the government imported over 64 lakh tonnes of wheat.

Of it, 367.59 lakh tonnes were brought in by the government and 5.99 lakh tonnes by private importers.

Yesterday, the cabinet committee on public purchase also gave the go-ahead to another proposal to import 33.6 lakh Metric Million British Thermal Unit of liquefied natural gas (LNG).

Petrobangla under the fuel and mineral resources division will bring in the LNG from US firm M/S. Excelerate Energy LP at a cost of over Tk 448 crore.

Keep EPZs open during lockdown

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"But it will become impossible if we are forced to shut operations," said the association in a press release.

Factory operators have arranged all kinds of preventive measures to protect their employees from the virus ever since the first outbreak, it added.

M Nasir Uddin, chairman of the BEPZIA, said they have very urgent export commitments with international buyers, the sustaining of which is very important for the country's economic growth. "Everybody knows that there is a big community working in all EPZs from different parts of the country. So, if factories close, the workers will go home and make the situation worse," he added.

Uddin requested the Bangladesh Export Processing Zones Authority to keep the EPZs open during the upcoming lockdown. "We are also requesting the government to keep export-related offices open to ensure a smooth shipment."

Disclose directors' engagements with other firms: BSEC

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Some directors are engaged in many listed companies but it was not easy for investors to find this out. "So we made it mandatory to make disclosures in the directors' report," said a stock broker.

It is a good decision, he said, adding that information regarding directors was very important and so such disclosures would give new clues for investors to strategise.

Dhaka Stock Exchange has 379 listed companies, which have over 1,800 directors.

Owners for running garment factories during lockdown

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When it came to lockdowns and running factories over the last one and a half years, the government in most cases took decisions in favour of the factory owners while workers' interests were ignored, Akter told The Daily Star over the phone.

"The demands of the workers did not get priority during the lockdown. The factory owners did not manage safe workplaces and safe transportation," she alleged.

Sirajul Islam Rony, a representative of garment workers at the last minimum wage board, said many workers came to work on foot in the absence of transportation facilities and small vehicles like "easy bikes".

He, however, advocated in favour of running the factories during the lockdown as Eid-ul-Azha was knocking at the door.

The workers will need salary and festival allowance, he said, adding that if the owners cannot produce goods on time, they would face difficulties in paying the workers timely.

Moreover, the infection rate among the garment workers is still very low as the factory managements follow the health guidelines strictly, Rony also told The Daily Star over the phone.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said the garment factory owners support the lockdown decision as it was to save lives.

"But at the same time, livelihoods are also important. So, keeping the garment factories out of the purview of the lockdown is a good decision," Hassan said, reasoning that the infection rate was very low among garment workers.

"We have a lot of work orders from our buyers now as the western retail outlets reopened after vaccination. The factories need to make timely shipments and pay the workers ahead of Eid-ul-Azha," Hassan also said.

Since the government put a bar on the movement of public transport, the factory owners may even run their units at low capacity, considering that workers could fail to reach workplaces due to the lack of transport, he said.

10pc tax likely for investing in new factories

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The government may continue the facility, but the tax rate may be fixed at 25 per cent.

In FY21, people have been permitted to declare any undisclosed properties, including homes, land, buildings, or flats, by paying 10 per cent tax. The special treatment is expected to continue and the tax rate may remain unchanged.

Because of the blanket money whitening opportunity, a record Tk 14,460 crore of undisclosed assets were legalised in the first 11 months of FY21, according to the National Board of revenue.

Among other amendments, the government may cut the rate of VAT for air-conditioned (AC) hotels and restaurants from 15 per cent to 10 per cent and from

7.5 per cent to 5 per cent for non-AC hotels and restaurants.

On June 12, restaurant owners demanded the government reduce the VAT, taking into account the devastating impact of the pandemic on the sector.

Hotels and restaurants employed 22.8 lakh people as of 2019-20, according to the Hotel and Restaurant Survey 2020 of the Bangladesh Bureau of Statistics.

The government may raise the ceiling for businesses on the mandatory use of formal channels such as banks and mobile financial services to carry out monetary transactions. The proposed budget has made it compulsory to transfer funds of more than Tk 50,000 through formal channels. The new limit might be Tk 5 lakh.

Laid-off GP employees protest retrenchment

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operator had kept them idle for over a year while getting their work done through outsourcing.

Grameenphone responded by saying the scope of work changes over time and that they had recently laid off a number of workers who had no function according to their job description for more than 13 months. Leaders of the Grameenphone Employees Union (GPEU) announced continuing agitations until the 159 were reinstated. GPEU Vice-President Tanvir Timir presided over the press conference while General Secretary Mia Md Shafiqur Rahman Masud gave the keynote address.

Laid-off GP employees protest retrenchment