Kuwait Times

THURSDAY, AUGUST 4, 2022

Business

Scholz opens door to extend nuclear plants as Russia blocks gas turbine

Germany scrambling for energy sources amid shortage of gas supplies

BERLIN: German Chancellor Olaf Scholz on Wednesday raised the possibility of keeping nuclear plants going as he accused Russia of blocking the delivery of a key turbine to throttle gas supplies to Europe.

The continent's biggest economy has been scrambling for energy sources to fill a gap left by a reduction in gas supplies from Moscow. Standing next to the turbine, Scholz said that extending the lifetime of Germany's three remaining nuclear power plants "can make sense". The power stations, which are set to be taken off the grid at the end of the year, were "relevant exclusively for electricity production, and only for a small part of it," Scholz said.

In total, the nuclear fleet accounts for six percent of Germany's electricity output. The government has said it will await the outcome of a new "stress test" of the national electric grid before determining whether to stick with the long-planned phaseout.

Nuclear switch

Former Chancellor Angela Merkel spectacularly decided to ditch atomic energy in 2011 following the Fukushima nuclear disaster in Japan. Extending the lifetime of the plants has set off a heated debate in Germany, where nuclear power has been a source of controversy stretching back before Merkel's move.

The question has split the governing coalition, with Scholz's Social Democrats and the Greens hitherto skeptical, and the FDP favoring an extension. Germany has already moved to restart mothballed coal power plants to guard against an energy shortfall.

The first of these was already "supplying electricity to the network", Scholz said Wednesday, adding that Germany had to prepare for a "difficult time". The squeeze comes as Russia dwindles supplies of gas, which Germany has long relied on to power industry and heat homes.

Russian energy giant Gazprom has chalked up limited supplies to technical issues. The delayed return of a turbine from Canada, where the unit was being serviced, was behind the initial reduction in deliveries via the Nord Stream 1 gas pipeline in June, according to Gazprom. Supplies via the energy link were further reduced to around 20 percent of capacity in late July, after Gazprom halted the operation of one of the last two operating turbines due to the "technical condition of the engine".

Turbine trouble

Berlin has dismissed Gazprom's justifications for the reduction to supply, seeing instead a "political" move in response to the West's support for Ukraine. The turbine which was transferred from Canada to Germany was "available and working", Scholz said Wednesday.

"There is no reason why this delivery cannot happen," he said, adding that it had received "all the approvals" needed for export from Germany to Russia. Pipeline operators only had to say "they want to have the turbine and provide the necessary customs information for transport to Russia", Scholz said.

But Kremlin spokesperson Dmitry Peskov insisted that Gazprom was still waiting for documents confirming the unit was "not affected by sanctions". It was however "technologically possible" in the opinion of Russian President Vladimir Putin to continue deliveries via the Nord Stream 2 pipeline, Peskov said.

MUELHEIM AN DER RUHR, Germany: German Chancellor Olaf Scholz (second left) and Christian Bruch (left), President and CEO of Siemens Energy, listen to Siemens' leading engineering manager Gerd Uwe Schmiedel (right) as he gives explanations in front of a turbine of the Nord Stream 1 pipeline during a visit on August 3, 2022 at the plant of Siemens Energy in Muelheim an der Ruhr, western Germany, where the engine is stored after maintenance work in Canada. —AFP

The second pipeline, which runs parallel to Nord Stream 1, stands completed but was blocked by the German government in the run up to the invasion of Ukraine. Former Chancellor Gerhard Schroeder, who signed off on the pipeline while in office, told German magazine Stern it was "the easiest solution" to use Nord Stream 2 instead.

But Scholz has rejected the call, saying Nord Stream 1 provided sufficient capacity for gas flows. Moscow's move to limit supplies sent a "difficult message" to the world by creating doubt over Russia's commitment to its agreements, he added. —AFP

Turkish inflation stabilizes in July at under 80%

ISTANBUL: Turkey's annual inflation rate stabilized in July at just under 80 percent, official data showed on Wednesday, helping support President Recep Tayyip Erdogan's pledges that runaway price increases would soon stop. The official annual rate of consumer price increases reached 79.6 percent in July compared to 78.6 percent in June.

Turkey plunged into a fresh economic crisis when Erdogan set off on an unusual economic experiment nearly a year ago that attempted to bring down chronically high inflation by slashing interest rates.

Conventional economic theory, accepted by world governments, states that lower interest rates drive growth and push up prices by building up demand.

Turkey now has a real interest rate that factors in inflation of negative 64.4 percent-the lowest in the world by a substantial margin. This means that Turks have a strong incentive to spend as much as they can before their liras lose even more value.

But Erdogan has repeatedly urged "patience" and vowed that prices would start falling again at the start of next year. "A price stabilization trend has already started," Erdogan said two days before the latest inflation report was released.

"We hope that inflation will enter a significant downward trend in the first months of the new year." The central bank now forecasts the inflation rate to ease back down to roughly 40 percent by the time Erdogan is due to face a difficult re-election next July.

Doubt in data

Opposition leaders and many Turks no longer trust official government data. The annual inflation rate reported this week in Istanbul-headed by a popular opposition party figure-was roughly 100 percent. "Turkey's official inflation and Istanbul's inflation have historically moved in tandem," the Turkish central bank's former chief economist Hakan Kara tweeted.

"The difference, which has reached 19.5 percentage points in the last four months, is remarkable."

But a respected monthly study released by independent economists from Turkey's ENAG research institute also showed prices stabilizing-although at a much higher rate than the one reported by the state statistics agency. ENAG said the official annual rate of consumer price increases reached 176 percent in July compared to 174 percent in June.

The government's July report showed price increases being led by a 119-percent jump in the cost of transportation. This helps back government arguments that inflation is being driven by external factors such as soaring energy prices caused by Russia's standoff with the West over its invasion in Ukraine.

Food and non-alcoholic prices rose by 95 percent because of the sharp depreciation of the lira that makes imports more expensive. The Turkish currency has lost more than half its value against the dollar in the past 12 months. It now trades at nearly 18 to the dollar compared to the 3.5 mark at which it stood in 2018. Erdogan's popularity has suffered badly in the second decade of his rule as a result. A poll of polls released this week showed him losing in a runoff against any of the top five potential challengers to his rule. —AFP

ANKARA: People shop at a fish market in Ankara. Turkey's annual inflation rate stabilized in July at just under 80 percent, official data showed on Wednesday.

BMW profits drop as China lockdowns knock production

BERLIN: German auto manufacturer BMW said Wednesday its profits dipped in the second quarter as supply bottlenecks and Chinese lockdowns knocked production.

The carmaker's profits for the period between April and June fell to three billion euros ($3.1 billion) from 4.8 billion euros in the same period last year.

BMW CEO Oliver Zipse recognized "unfavorable conditions" but said in a statement the Munich-based group had shown "a high degree of resilience".

"Ongoing semiconductor supply issues and supply chain disruptions following COVID lockdowns in China", a key market for automakers, held back production in the first half of the year, BMW said in a statement. BMW shipped just over 563,000 units in the second quarter of 2022, a drop of 19.8 percent.

Like other premium carmakers, the limits to production meant that BMW leant more heavily on its top-of-the-range models with bigger margins. The group benefited from this better "product mix" and higher prices for its vehicles, which partially offset the fall in the number of vehicles sold, BMW said.

BMW said economic conditions would "remain difficult" in the second half of the year, with the war in Ukraine also disrupting supply and weighing on the industry.

Unit sales in the second half would be "solidly higher", BMW said, but would "not fully compensate for lost volume" in the first half, meaning deliveries of its vehicles would now be "slightly below" the level of last year. Strong demand and recent tight supply meant BMW had an "above-average order bank".

But high inflation on the back of soaring energy prices would cool the economy and see BMW's order backlog "normalize towards the end of the year", BMW's predictions did not take into account the impact that a cut to Russian gas supplies to Europe could have on its production locally. —AFP

BERLIN: German auto manufacturer BMW said Wednesday its profits dipped in the second quarter as supply bottlenecks and Chinese lockdowns knocked production.

Saudi Arabia sets up new investment promotion authority

RIYADH: Saudi Arabia has established a new investment promotion authority in a bid to boost growth for the Arab world's largest economy. The Saudi Investment Promotion Authority (SIPA) was launched at the directive of King Salman and Crown Prince Mohammed bin Salman, who is the president of the Council of Economic and Development Affairs, the Ministry of Investment stated on Wednesday.

"The establishment of SIPA will enable an integrated approach to investment between government agencies while enhancing all activities and services related to investment promotion to support partnerships between local and foreign investors," Khalid Al-Falih, Minister of Investment for Saudi Arabia, said. The move comes as Saudi Arabia, OPEC's top oil exporter, continues to focus on attracting investment into the country to diversify its economy away from oil.

In October, Prince Mohammed launched the National Investment Strategy, which seeks to attract $103.47 billion in foreign direct investments annually, according to the state-run Saudi Press Agency. The kingdom also expects to increase its domestic investment also under the new strategy.

"The launch of SIPA is made possible by the kingdom's first National Investment Strategy, which seeks to unleash the potential of the kingdom's strong market fundamentals and the breadth and depth of opportunities created by Vision 2030," the Ministry of Investment said.

"The strategy aims to increase investment to 30 per cent of GDP and catalyze the growth of emerging sectors in the economy."

In the first quarter of this year, the kingdom signed investment deals worth more than $4bn in sectors including entrepreneurship, advanced manufacturing, defense, information and communications technology, petrochemicals and conversion industries. Among the big deals announced during the quarter was the $3.4bn investment by US-based Lucid Motors to set up an electric vehicle factory in Saudi Arabia with a production capacity of 155,000 units a year. Saudi Arabia also signed 13 investment agreements on the sidelines of US President Joe Biden's visit to the kingdom last month.

The agreements covered sectors including energy, aerospace, defense, textiles, manufacturing, education and tourism, the Ministry of Investment said at the time. The kingdom's economy in the first quarter of 2022 experienced the highest rate of growth in the last 10 years amid increased activity in the oil sector, government data showed. The country's economy is forecast to grow 7.6 per cent in 2022 and 3.7 per cent in 2023, after expanding 3.2 per cent last year, according to the International Monetary Fund. —Agencies