

Business

Equities, oil prices plunge as recession fears build

Brexit to further slash inflation-hit wages: Study

LONDON: Equities and oil prices tumbled Wednesday after a brief respite from last week's painful rout across world markets, with recession fears building as central banks hike interest rates to combat decades-high inflation. While Asia, Wall Street and Europe all enjoyed healthy gains Tuesday, analysts warned the downbeat mood on trading floors means the selling is unlikely to end any time soon.

Federal Reserve boss Jerome Powell's two-day testimony to Congress this week will be pored over for an idea about officials' plans for fighting runaway prices, which are being fanned by supply chain snarls, China's lockdowns and the war in Ukraine. Most observers expect the Fed to aggressively hike US interest rates several more times this year having recently carried out the sharpest lift in almost 30 years. The prediction is handing support to the dollar, which pushed the yen briefly to a fresh 24-year low Wednesday.

The Bank of Japan is holding back from lifting interest rates, in sharp contrast to other major central banks. "Swiftly rising interest rates act as a vacuum for economic growth, and this isn't lost on the market today," noted Sophie Lund-Yates, equity analyst at Hargreaves Lansdown. "This is a darker day for global markets than has been seen in a while. Serious questions remain about the resilience of consumers, and it appears traders are bracing for a harsh hand where interest rates are concerned."

Oil prices were feeling the heat from recessionary fears, with both main contracts tanking more than five percent at one point. Crude and gas prices have soared in recent months after major economies lifted

pandemic lockdowns and following the invasion of Ukraine by major energy producer Russia. Surging energy costs are fuelling global inflation, with official data Wednesday showing the British annual rate hitting a fresh 40-year high above nine percent.

In the United States, President Joe Biden will Wednesday ask Congress to suspend the federal gas tax for three months as skyrocketing prices cause widespread anger among Americans just months before crucial mid-term elections. The White House wants to discontinue the 18 cents per gallon tax until September and will call on state governments to do the same. A senior administration official noted that US gas prices - averaging near \$5 per gallon - had jumped almost \$2 since Russian President Vladimir Putin began building up forces on the Ukrainian border earlier this year.

Inflation-hit wages

Meanwhile, Britain's exit from the European Union will further slash workers' wages in coming years, a study concluded Wednesday as the nation already faces a cost-of-living crisis from soaring inflation. The research, from the Resolution Foundation think tank and the London School of Economics, was published as official data showed UK inflation hitting a new 40-year peak at 9.1 percent.

And Wednesday's report claimed that Brexit had hit the UK economy's openness and competitiveness abroad. As a result, household incomes-already under intense pressure from rocketing inflation-were forecast to slide further. "It will take many years for the economy



KARACHI: Laborers work at a clay pot workshop on the outskirts of Karachi.— AFP

to adjust ... but the aggregate effect will be to reduce household incomes as a result of a weaker pound, and lower investment and trade," the report read.

A weaker pound had also ramped up import costs, it added. The report forecast that Brexit would cause a 1.8-percent drop to real wages-or earnings adjusted for

inflation-by the end of the decade. That equated to a loss of £470 (\$577) per worker per year, it added. "Brexit is not... expected to transform the nature of the UK economy," the report concluded. "Instead, the impact of Brexit is better thought of as a broad-based reduction in workers' pay and productivity."—AFP



BRANDENBURG: German Minister of Economics Robert Habeck (left) looks at a model of an Airbus ZEROe hybrid-hydrogen aircraft next to Michael Schoellhorn, Chief Executive Officer (CEO) of Airbus Defense and Space, during his tour at the ILA Berlin Air Show (Internationale Luft- und Raumfahrttausstellung) in Schoenefeld on June 22, 2022.— AFP

Spain bets on green hydrogen in clean energy push

MADRID: As Europe seeks to move way from fossil fuels, Spain is racing ahead in developing green hydrogen, aided by a growing wind and solar power complex in efforts to decarbonize its economy. Spain accounted for 20 percent of the world's green hydrogen projects in the first quarter, second only to the United States, home to more than half of them, according to Wood Mackenzie consulting firm. "A lot of countries are interested in green hydrogen, but in Spain the sector has rapidly accelerated" in recent months, said Rafael Cossent, research associate professor in energy economics at Comillas Pontifical University in Madrid.

The sector is still in its infancy, but the war in Ukraine has prompted the European Union to double its production goal for 2030 as part of efforts to reduce its dependence on Russian energy supplies. "Spain has become a very attractive country for green hydrogen," EU chief Ursula von der Leyen said during a visit to the country in May. "A shift is happening ... to mass-scale competitive hydrogen".

Green hydrogen is produced by passing an electric current through water to split it between hydrogen and oxygen, a process called electrolysis. It is considered green because the electricity comes from renewable sources of energy that don't create any harmful emissions. And while fossil fuels emit harmful greenhouse gases when they burn, hydrogen only emits harmless water vapor. The technology is part of EU efforts to become climate neutral by 2050.

'Great potential'

Green hydrogen could replace coal in heavy industries such as steel mills. It can also be used to make fertiliser and is being considered as a potential fuel for buses, trains and aircraft in the future. A major drawback for green hydrogen, however, has been the high cost of producing it. It is much cheaper to make "grey" hydrogen, but its production requires using fossil fuels that emit greenhouse gases. But technological progress and the surge in prices of fossil fuels has made green hydrogen more competitive. Spain has "great potential" because it has a well-developed renewables sector, with important solar and wind resources, said Javier Brey, president of the Spanish Hydrogen Association (AeH2).

Cossent said that Spain has another advantage in its vast natural gas network and LNG terminals, which could be transformed to export hydrogen. The government launched last year a 1.5-billion-euro (\$1.8-billion) plan to support green hydrogen projects over the next three years, tapping a European Union Covid recovery fund to do so. Adding private investments, close to nine billion euros will be spent by 2030.

Spanish energy companies such as Iberdrola, Repsol and Enagas have all launched green hydrogen projects. Enagas teamed up with global steel giant ArcelorMittal and fertilizer maker Fertiberia for a huge project dubbed HyDeal Espana in northern Asturias region. The site will have around 15 solar parks that could produce 330,000 tons of hydrogen per year by 2030, making it the biggest project of this type in the world, according to the International Renewable Energy Agency.—AFP

Fish trade's murky waters cloud double murder in Amazon

ATALAIA DO NORTE: The pirarucu is one impressive fish: a huge, thrashing Amazonian monster with red-and-black scales the size of serving spoons. Still, it's just a fish. How is it possible it could have gotten British journalist Dom Phillips and Brazilian Indigenous expert Bruno Pereira murdered?

Police say Phillips, 57, and Pereira, 41, were shot dead on June 5 returning from a research trip in Brazil's far-flung Javari Valley. At first glance, the jungle-covered region near the Peruvian and Colombian borders seems like one of the last untouched wildernesses, home to a sprawling Indigenous reservation with the biggest concentration of uncontacted tribes on Earth.

But the double murder lay bare growing violence in the region fueled by illegal fishing, logging, mining and drug trafficking. Pereira had received death threats for his work fighting poaching on the reservation, where non-natives are banned from hunting and fishing. "He waged a major crackdown on illegal fishing. All those guys (the poachers in the region) knew Bruno," says Orlando Possuelo, 37, who worked with Pereira coordinating Indigenous anti-poaching patrols—a job that has earned him death threats, too.

Investigators say Pereira and Phillips were motoring down the meandering Itaquai river in a small boat when a group sped up from behind and shot them. Police have identified eight suspects, and arrested three so far. Locals in Atalaia do Norte, a sleepy river town near the northeastern edge of the reservation, say all three are poachers who illegally fish in Indigenous territory for pirarucu, a protected species that is the biggest freshwater fish in South America.

'Everyone here knows'

Fishermen in Atalaia say poaching pirarucu—a tasty, coveted fish that can reach 4.5 meters (nearly 15 feet) and weigh up to 200 kilograms—is a big-money business linked to drug traffickers operating in Peru and Colombia. The traffickers allegedly use the black-market fish trade to launder drug money—part of what the Brazilian Forum for Public Security recently called the "complex national and transnational criminal chains that operate across different economies" in the Amazon. "What happened to Bruno and Dom is the result of an increase in organized crime, which is in turn explained by the absence of the state," said Antenor Vaz, ex-chief of

Brazilian indigenous affairs agency FUNAI's operations in the Javari Valley.

The alleged drug-trafficking link has raised the question of whether the suspects acted alone. Federal police said Friday they did, ruling out the involvement of a "mastermind or criminal organization." The statement infuriated the Indigenous-rights group where Pereira worked, UNIVAJA, which accused the police of ignoring "considerable" evidence a "powerful criminal organization" was behind the killings. "Everyone here knows organized crime was involved," UNIVAJA head Paulo Marubo told AFP.

Pirarucu taboo

At Atalaia's fish market, a noisy hangar with concrete floors and white-tile stalls, pirarucu has disappeared since Phillips and Pereira went missing. Some pirarucu sales are in fact legal—there are six local lakes outside the Indigenous reservation where restricted fishing is allowed.

But much of the pirarucu on the market is likely illegal. A report by the International Union for the Conservation of Nature found 83 percent of the illegal fish seized in Brazil from 2012 to 2019 was pirarucu. With the army, federal police and world media in town to investigate the men's disappearance, fishermen are taking no chances on pirarucu these days, even if landing one of the giants can bring in hundreds of dollars—badly needed cash for most families in the region, one of the poorest in Brazil.

"Legal fishermen are afraid to even go out right now, with the army here and everyone blaming us for this atrocity," says Roberto Pereira da Costa, 49, president of the local fishermen's association. Legal fishermen are being unfairly villainized, he says. "You can see the difference between the illegal fishermen and us. They've got big boats, fast motors, they're not just catching 15 kilos of fish to feed their families, they're trying to take out everything they can."

'A bigger story'

In December, journalist Monica Yanakiew of Al Jazeera English joined Pereira on an expedition like the one Phillips accompanied. Her crew even captured him warning the fisherman who is now the lead suspect in the case not to fish on Indigenous land. Poachers got "infuriated" when Pereira's patrols seized their fish, says Yanakiew. But "it's a bigger story than that," she says.

Pereira would not have needed to mount independent patrols if President Jair Bolsonaro's administration had not dramatically cut enforcement operations by FUNAI and environmental authorities, critics say. "The fact that the government has turned a blind eye to everything that is going on has empowered" criminals, says Yanakiew. "They think they can get away with murder."—AFP



ATALAIA DO NORTE: Photo shows an aerial view of Atalaia do Norte, a municipality in the state of Amazonas, Brazil.— AFP

Egypt calls for 'reality check' in climate talks

BONN: Egypt hopes to jump-start the action needed to face a warming world when it takes the presidency of major UN climate talks in November, but warns that countries need a "reality check" as progress stalls. Presiding over the inflection point when a decades-long United Nations climate process switches from negotiation to "implementation", Egypt has set a high bar for its leadership of this year's COP27 climate summit. But the challenge of maintaining international momentum on climate change has been made even harder as the world faces a catalogue of challenges, with Russia's invasion of Ukraine and spiralling food, energy and economic crises.

"Because of the geopolitical situation, climate change is being pushed back," said Ambassador Mohamed Nasr at a meeting in the German city of Bonn meant to lay the groundwork for the Egyptian conference. "We are facing a big challenge." Outgoing UN climate leader Patricia Espinosa had told delegates that when global leaders gather in Sharm el-Sheikh in November the world will "look nothing like" it did during the climate talks in Glasgow last year.

The international community has agreed that climate change poses an existential threat to human systems and the natural world. But action to cut carbon pollution and prepare for the accelerating impacts is lagging, as is support for vulnerable countries confronting the ravages of a changing climate. "It's time to start the reality check. We have been planning and planning," said Nasr. Now the question must be: "Is it delivering on the ground or not?"

Loss and damage

Nasr said that while Egypt's presidency of the conference would have "African flavour and African vision", it would remain resolutely international in focus. Added to the geopolitical crises are the surging frustrations of vulnerable nations least responsible for climate change over a lack of funding from rich polluters to help them cope with a warming world. A promise of \$100 billion a year from 2020 is still not met. Another flashpoint is "loss and damage", UN speak for climate damages already incurred. Developing countries have called for a separate financing facility but have only got a "dialogue" instead.

The issue dominated the Bonn talks last week and with little resolved looks likely to be a major theme at COP27 as developing countries push to get it on the agenda. "It is not what we hoped for," said Nasr. He said the historic 2015 Paris Agreement was a "very delicate balance" between pushing ever-more ambitious action on emissions reductions alongside work to help countries prepare for future impacts and deal with damages.

While countries have ramped up ambitions - if not action - to meet the Paris goal of capping warming to 1.5 degrees Celsius above pre-industrial levels, he said the other elements have yet to be afforded the same level of urgency. "We need to give assurances to the big constituency of developing countries that their priorities are being dealt with on the same level," said Nasr.

Another key challenge will be to harness the financial clout of the development banks and private sector to remove barriers hampering the investments needed to reduce emissions and build the infrastructure countries require to grapple with climate change. "We need this transformation that has happened here (in the UN process) to find its way into those institutions," said Nasr, calling for more innovative ways to open up access to investments. "We cannot continue in a business-as-usual scenario when it comes to finance."—AFP