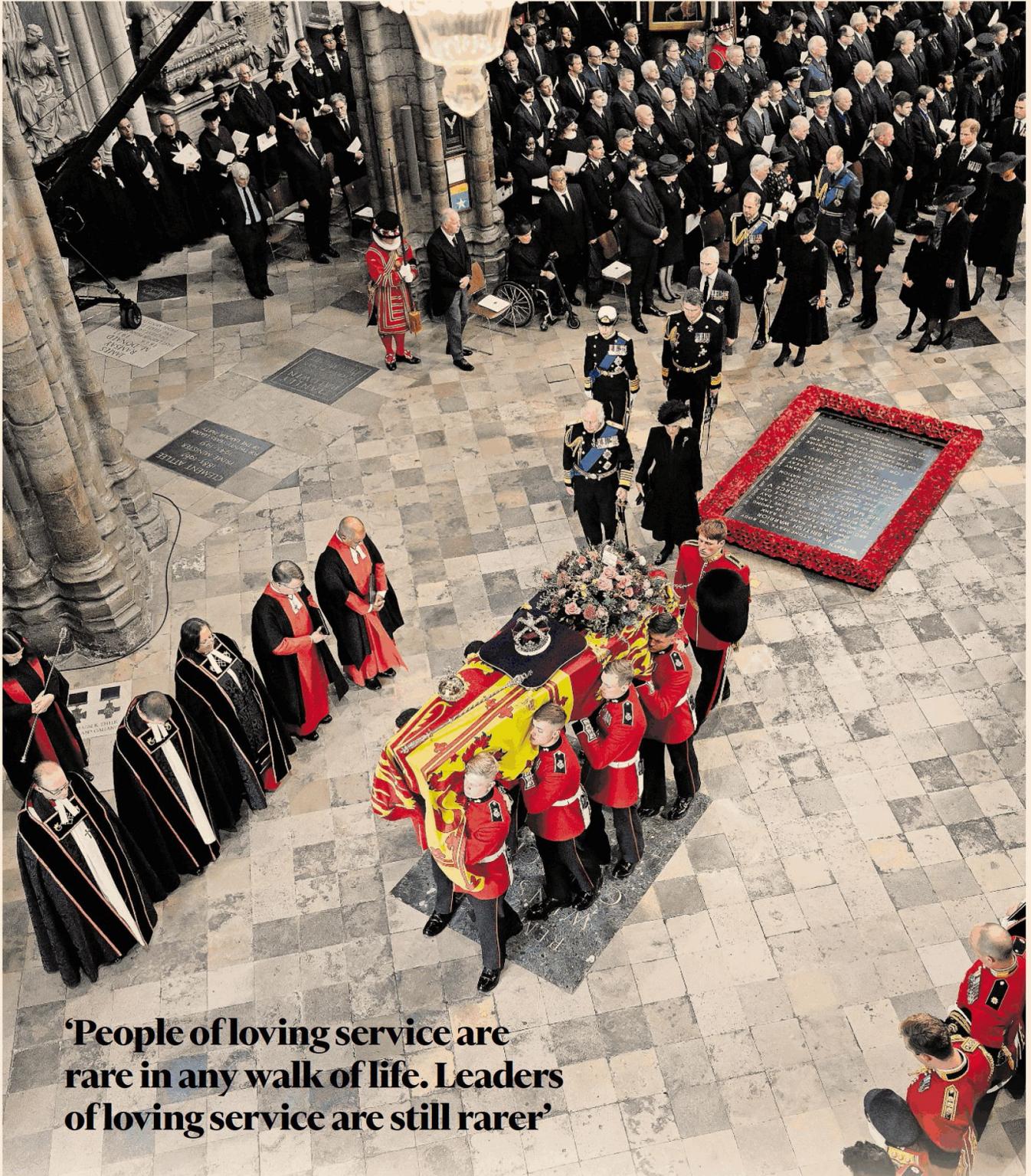


FINANCIAL TIMES

TUESDAY 20 SEPTEMBER 2022

INTERNATIONAL NEWSPAPER OF THE YEAR

ASIA



'People of loving service are rare in any walk of life. Leaders of loving service are still rarer'

King Charles III, Camilla, the Queen Consort and other members of the royal family follow the coffin of Queen Elizabeth II as it is carried out of Westminster Abbey after her state funeral in London yesterday

Gareth Cattermole/Pool/Reuters

GEORGE PARKER — LONDON
ROBERT WRIGHT — WINDSOR

Queen Elizabeth II has completed the journey to her final resting place at Windsor after a momentous state funeral at Westminster Abbey, as world leaders joined Britons in mourning the country's longest-serving monarch.

The Queen was laid to rest with her late husband Prince Philip at a private ceremony at the King George VI Memorial Chapel at Windsor, near London, at 7.30pm yesterday, drawing to a close 10 days of national mourning.

Crowds thronged the route as the Queen's coffin made its way from the abbey through ceremonial London to

The Queen's coffin was brought yesterday morning on a gun carriage to the abbey from the cavernous silence of Westminster Hall, where she had lain in rest for four full days; her lying-in-state ended at 6.30am.

Hundreds of thousands of people had joined "the queue" — a line stretching for five miles along the banks of the river Thames — to pay tribute to the Queen, who reigned for 70 years.

Before the funeral King Charles said he was "deeply touched" by the support he had received from around the world. At the ceremony, his eyes were fixed firmly on his mother's coffin as the congregation sang the national anthem,

Bargemaster and a Serjeant of Arms removed the instruments of state — the crown, orb and sceptre used in the coronation — from the top of the coffin.

The moment completed a circle started after the death of the late Queen's father, George VI, when the instruments were removed from his coffin and later presented to Elizabeth at her coronation in 1953.

Finally, the Lord Chamberlain, leader of the royal household, broke his wand of office, symbolising the end of his service to the late monarch, and placed it on the Queen's coffin alongside the flag.

An extraordinary cast of world leaders attended the state funeral, whose

rows back, behind the president of Poland and in front of the premier of the Czech Republic.

President Emmanuel Macron of France and Emperor Naruhito of Japan — making his first trip outside his country since ascending the throne in 2019 — joined European royalty in the abbey, where the late Queen had been married and crowned.

The leaders of Russia, Afghanistan, Syria and Venezuela were among those left off the guest list.

The 10 days of choreographed mourning were intended to provide time to grieve but also to mark the role of the royal family as a source of continuity in

terbury, noted in his sermon that while people of loving service "are rare in any walk of life", leaders of loving service "are still rarer".

He said the late monarch had enjoyed "an abundant life", adding that "those who serve" would be remembered longer than "those who cling to power and privilege".

There had this week been much media debate on whether Britain's response to the Queen's death, along with the spectacular ceremony, was a reminder of the country's greatness or a distraction from its many problems.

But while many world leaders will attend the UN General Assembly in New

Australia	A\$7000c: GST
China	RMB30
Hong Kong	HK\$33
India	₹4p/20
Indonesia	₹4500c
Japan	¥5500c: JCT
Korea	₩4,500
Malaysia	RM11.50
Pakistan	Rupee 350
Philippines	Peso 140
Singapore	S\$5.800c: GST
Taiwan	NT\$940
Thailand	฿1740
Vietnam	US\$4.50

© THE FINANCIAL TIMES LTD 2022
No: 41,124 ★

Printed in London, Liverpool, Glasgow, Dublin,

Wellington Arch, before being taken west to Windsor Castle for a service of committal at St George's Chapel.

The state funeral, the first in Britain since Winston Churchill's death in 1965, ended a period of mourning that saw the country come together to mark a dislocating moment in its history but also one of unity and continuity.

"God Save the King."

The public ceremonies culminated in the Queen's coffin, still draped in the Royal Standard, being lowered below the quire of St George's Chapel into the royal vault, where she will lie alongside her husband, parents and sister.

It came after a solemn ritual at St George's Chapel when the Queen's

order of service and hymns were agreed in consultation with the late Queen, to remember a woman whose reign spanned Britain's postwar era.

While most of the visiting dignitaries arrived by bus, US president Joe Biden and his wife came in an armoured vehicle - but were held up in traffic. Their delayed arrival meant they sat several

national life. Westminster Abbey has been the site of royal coronations since William the Conqueror in 1066.

The Queen's great-grandchildren, Prince George and Princess Charlotte, joined the King and other members of the royal family as the coffin processed through the abbey.

Justin Welby, the Archbishop of Can-

York this week, Westminster Abbey was briefly the focal point of global power as the world remembered the late Queen.

Some of the mourners wiped away tears during the funeral service, which began with the hymn chosen by the Queen herself: "The Day Thou Gavest, Lord, is Ended".

Reports and analysis pages 2&3

Financial Times, London, New York, Chicago, San Francisco, Tokyo, Hong Kong, Singapore, Seoul, Dubai



FUNERAL OF QUEEN ELIZABETH II



Sombre scenes: clockwise from main, the Queen's coffin is carried down The Mall in central London; members of the royal family at Westminster Abbey; King Charles with his sister, Princess Anne; UK prime minister Liz Truss leads ex-UK premiers John Major and Tony Blair; Charles, Prince of Wales

In mourning, Britain has shown it retains a desire for national unity

Insight Robert Shrimley

Everyone will have their own overriding memory of the past 10 days but for me it was the silences. The quiet of the chapels as the coffin parties did their work; the stillness of Westminster Hall even as thousands trooped through it; the solidarity of the hush at football grounds and other events.

Others will recall the pageantry, the sight of the new King greeting well-wishers, the Queen or that surprising catch in their throat as they talked about the late Queen. Some were deeply affected, others wanted to participate in the biggest show in the world. Rich or poor, young or old, royalist or republican, all have shared this moment. There

has been a national conversation. Of course, for the indifferent or those less convinced about monarchy, the past two weeks have been a source of irritation. Some with roots in former colonies worry the patriotic fervour will see the UK step back from addressing the injustices of empire. But the overwhelming emotions of this period seem to have been of reflection, sadness, introspection and the sense that there is a right way to behave. For historians, the death of the Queen is an important punctuation mark, the closing of a chapter in national life, a moment to bookend a wider narrative. Most of us are too busy to surrender to such easy finalities, although for the older or more nostalgic this was also a moment of mourning for the lost ways of their own lives. Those seeking proof of Britain's status will see it in the global leaders, forsaking the UN General Assembly to flock to the funeral. But for all, the period has been unsettling. It has been largely possible to carry on as normal but at the same time impossible to be unaware or not caught up in the larger event. Today the normal backdrop to British life is restored. Yet as with more immediate grief, the coming months will serve as an episodic reminder of what has gone. The coins and notes will slowly start to change. We will continue to stumble over the national anthem for a while or forget that top barristers are no longer QCs. New passports will now refer to His Britannic Majesty. Politics will return to its full ferocious

fury. The new government of Liz Truss, stalled by the death of the Queen, will now seek to cram two weeks of momentum into four days before the remaining party conferences. We are moving deep into the electoral cycle (did we ever leave it?) and the need to draw sharp lines between the main parties becomes more pressing. A government behind in the polls, with a new leader keen to make her mark, is impatient to get on with things. Attention will return fully to the problems of the NHS, rail strikes and the cost of living. Politics, rightly, must be about different views and policies, even the future of the Crown. In tough economic times especially, there are serious differences to debate. This debate and division is central to the democratic process enshrined in a constitutional monarchy. But the events of the past 10 days might sound one small warning for the nation's leaders. England, in particular, is not a country that in the main craves more division, more radical upheaval, more opportunities to turn one community against another. Even amid the Scottish independence debate, one senses a degree of fatigue. After 15 years of political and economic shocks, after the death of the Brexit struggles and the increasing vituperation and intolerance of political discourse, there is a sense that the once undemonstrative and stable UK has become an angry country. All the main parties have played their part in this. Yet, as with the platinum jubilee, one senses among the mainstream of society

This is not a country that in the main craves more division, more radical upheaval, more chances to turn one community against another

a greater desire for unity, for a country that is, in the words of one former prime minister, "at ease with itself". As the waters close over the period of mourning, politicians might do well to note how much the population seems to welcome the moments of national unification that many identified with the Queen. The ceremony and protocol are all designed to draw out particular emotions but they are emotions many wish to feel. It is a reminder that for all the political noise from both sides, many, many people like and want to show pride in their nation. (It is no accident that most Scottish nationalists evince no desire to change their head of state). As politics returns, leaders might reflect on the rewards for those who seem to offer again the prospect of unity and a less fatiguing and angry debate. Even in the hottest arguments, there is often among people a wide common ground awaiting those who wish to find it. It is worth remembering that former prime minister Boris Johnson's promise to "get Brexit done" was as much an appeal to end the fighting as it was to complete the process. For all the divisions around leaving the EU, Johnson's positivism was key to his success. The political guns will never fall silent and nor should they. It is beyond naive to think that the sharp drawing of dividing lines will cease. But the unity of great national moments is a reminder of a population that might be ready to respond to a leader who seems to promise a less furious future. See Opinion

Advertisement for Financial Times subscription, including 'MAKE A WISE INVESTMENT' and 'Subscribe today at ft.com/subscribe'.

Indians mark monarch's death with respectful indifference

GLOBAL INSIGHT John Reed

degree of indifference in much of the population. For Modi's ruling Bharatiya Janata party, actively shedding the trappings of the British Raj is part of a broader ideological project at the heart of its identity-focused politics. On September 8, as Queen Elizabeth II was dying at Balmoral Castle, Modi was delivering a fiercely anti-colonial speech about how India was "leaving behind the past". On the same day, India's cabinet

India flew flags at half-mast over government buildings. And in what is arguably an even more powerful symbol, India sent Droupadi Murmu, its new president and a representative of the historically disadvantaged tribal (indigenous) minority, to represent it at yesterday's funeral. They have collectively absorbed their past and

Delhi's Coronation Park, where it stands today.) But most Indians barely remarked on news of the Queen's passing, if at all. Notwithstanding Modi's rhetoric, it is striking to a newcomer in India how little residual anger most Indians hold about a colonial period some historians say stunted their country's development and contributed to many of the problems with which it still grapples. Unless then Shashi Tharoor, author of

Subscriptions and Customer Service Tel: (852) 2868 3388, subsasia@ft.com

Advertising Tel: (852) 2868 2863, asiads@ft.com

Letters to the editor letters.editor@ft.com

Published by The Financial Times (HK) Limited, 6th Floor, Nan Fung Tower, 88 Connaught Road Central, Hong Kong

Printed by Australia: Spotpress Pty Ltd, 24-26 Lillian Fowler Place, Marrickville, NSW 2204

South Korea: Most Business Newspaper, 30-1, 1-Ga, P.O. Box, Jung-Ku, Seoul, 100-728

Copyright The Financial Times Limited 2022. All rights reserved. Reproduction of the contents of this newspaper in any manner is not permitted without the publisher's prior consent.

The Financial Times and its journalism are subject to a self-regulation regime under the FT Editorial Code of Practice: www.ft.com/editorialcode

Reprints are available of any FT article with your company logo or contact details inserted if required (minimum order 100 copies). One-off copyright licences for reproduction of FT articles are also available.

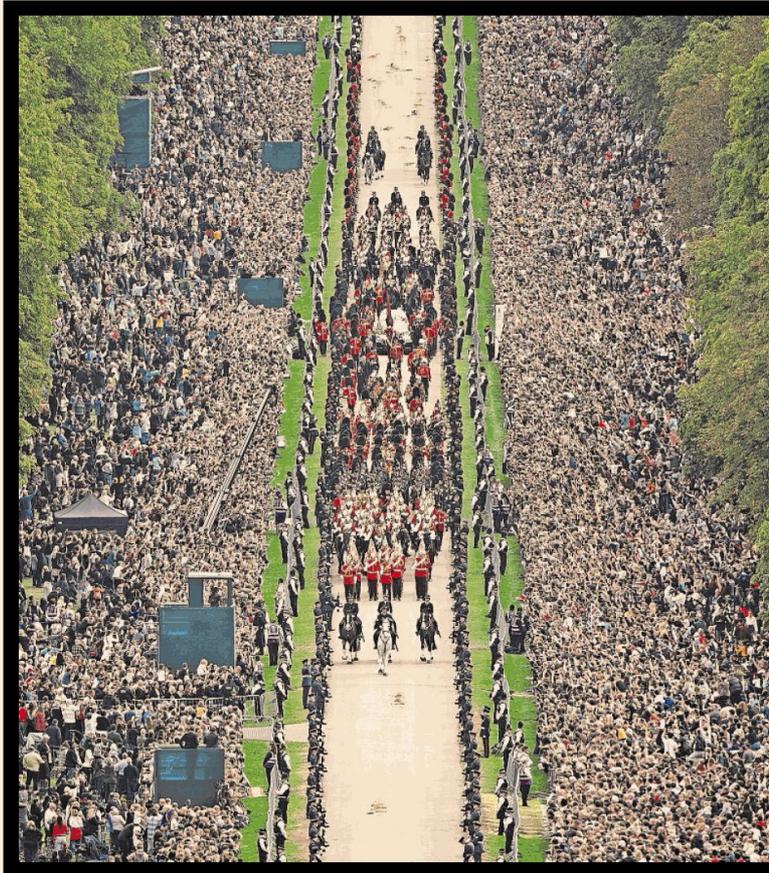
VV... front pages in India, before people quickly moved on to other things: the progress of the monsoon rains; talks on defusing a stand-off at the border with China; a political row over the siting of a semiconductor plant in Prime Minister's Narendra Modi's home state of Gujarat.

On the same day, Hindu deity Krishna Rajpath, formerly Kingsway, the avenue that bisects New Delhi's British-built government quarter, Kartavya Path (the Road of Duty) as part of the country's celebration of 75 years of independence from colonial rule.

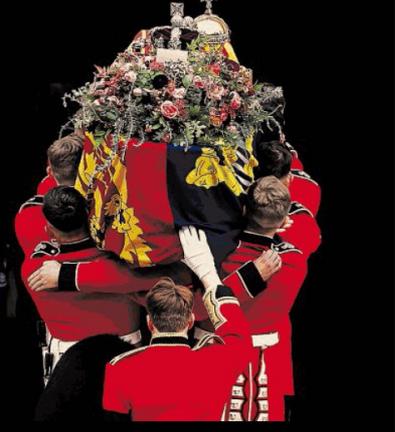
are, as Narendra Modi said, 'filling new colours to the portrait of tomorrow'

the revisionist history 'Inglorious Empire (a bestseller in India under the title An Era of Darkness), last week signed a condolence book at the British High Commission in New Delhi praising the Queen's 'self-abnegation, rectitude and selfless devotion to duty'.

FUNERAL OF QUEEN ELIZABETH II



Procession: huge crowds watch the Queen's coffin travel down the Long Walk towards Windsor Castle, left, while three women capture a piece of history on The Mall in London, above; pallbearers carry the coffin into St George's Chapel, Windsor Castle, for the committal service



Abbey ceremony brings together great and good

World leaders among 2,000 congregation at historic occasion who witness service that reflected late monarch's selflessness and religious steadfastness

HENRY MANCIE

In life, Queen Elizabeth II inspired admiration in the world's most powerful people with almost mysterious ease. In death, under a sunny London sky, she managed the feat one last time. Rarely has one place felt so filled with status and so empty of malice as Westminster Abbey did on Monday.

They found their way among chairs with such labels as "Governor General + 1". The invitation had offered a choice of morning dress, lounge suit, day dress or "full ceremonial day dress (NO SWORDS)". All options were on display.

The grandeur was everywhere and it was irresistible

the archbishop, who in other moments has not shied from criticising Britain's politicians. By its nature, the service could not do justice to the Queen's warmth or the sense of humour, which had once led her to film sketches with James Bond and Paddington Bear.

Public's farewell Tens of thousands line coffin route

PETER FOSTER AND WILLIAM WALLIS

It was the grandest day of royal ceremonies since the late Queen Elizabeth's coronation in 1953. People from across the UK — indeed across the world — were determined to be a part of it.

Many of those attending said they had come to take part in a piece of history, to pay their respects to the Queen, and to witness what they assumed would be the biggest funeral in their lifetimes.

If anyone doubted that the funeral would be anything other than British majesty at its finest, their minds were surely soon convinced. There was the sombre spectacle of the Queen's coffin being carried along the nave, laden with the imperial state crown twinkling under the stained glass windows. There was the brass-imbued finale of the first hymn, "The day thou gavest, Lord, is ended". The grandeur was everywhere, and it was irresistible.

It felt natural that the Queen's journey should approach its end at Westminster Abbey. It was here where she was married in 1947 and crowned in 1953. It was also where she was photographed on the black-and-white tiled floor, leading to the affectionate chess meme: "Beware, she can move in any direction."

The abbey inspires humility, its narrow 13th-century transepts, cluttered with the statues of prime ministers and the tombs of poets, push one's gaze upwards to the arches and roofs. (Yesterday, a hawk had been pigeoned to ensure there were no stray depictions in the rafters.)

The congregants had filtered in from 8am, three hours before the service

fitting end. The centrepiece was a solemn sermon by the archbishop of Canterbury, Justin Welby, which was sufficiently brief that it would even have pleased the late Duke of Edinburgh. Welby emphasised the Queen's selflessness. "In all cases, those who serve will be loved and remembered when those who cling to power and privileges are long forgotten," said



dignitaries: US president Joe Biden and wife Jill arrive at the funeral yesterday, one of about 100 heads of state who attended

King Charles has spoken of recognising the place of other faiths. Yesterday there was a procession including representatives of Judaism, Islam, Sikhism and Buddhism and other religions, although the prayers were all by those from Christian denominations.

Among the most affecting parts of the service was a two-minute silence after the state trumpeters played "The Last Post". That then led into the National Anthem. "God save The King", the congregants sang, with no reluctance. Welby made clear that King Charles had the "same faith" and the "same sense of service and duty" as his mother. Mourning moved into transition.

Whether monarchists will find closure in the funeral is unclear. Over the past 10 days, some have spoken of even small changes – such as the appearance of King Charles's face on banknotes – with trepidation, a final reminder that their Queen is not coming back.

Only the Queen could have inspired the scale of yesterday's service. So this funeral, whose music will long resonate in the ears of millions, will become yet another legacy that is hard for anyone to follow.

suits and ties, so central London was also dressed in its ceremonial best, as the city provided the backdrop for an event that was expected to be watched by 20m people in the UK and millions more worldwide.

The streets around Westminster were stripped of features that might break the spell of the pageantry. Union Jacks hung not just all the way down the Mall, but also from the doorways of the hotels and clubs of St James's.

The lucky few who made it ringside saw a military procession nearly a mile long, including drummers from the Royal Marines draped in leopard and tiger skins, Grenadier Guards in bear-skin hats, and the Household Cavalry with breast plates and plumed helmets.

Ninety-eight sailors from the Royal Navy towed the gun carriage carrying the Queen's coffin on its 45-minute journey to Wellington Arch, as Big Ben tolled and ceremonial guns fired.

"It's only pomp and ceremony, but you can't take that away from the English," said David Payne from Southend in Essex, who saw the occasion as a great unifier, bringing together people from all walks of life and across the world. "It

for decades. As the Queen's coffin passed along the processional route, there were frenetic attempts to capture the moment on smartphones. Children stood on railings clinging to their parents for support.

Among those who had dressed in their best for the day was Pearl Thompson, an 85-year-old mother of 14 who was born in Jamaica and had an affection for the Queen because of the motherly role she played as head of the Commonwealth. "She was humble and kind and always smiling. Like me with my children, if they do anything wrong I speak to them lovingly. I never heard of the Queen telling someone off," she said.

Many of those who shed tears said the Queen's death had caused them to reflect on losses in their own families.

Elisha Raj Sidhu, a 27-year-old paralegal who recently lost her grandmother, said the scene had blended something personal with the grander sweep of history. "Granted, we're all incredibly far from the Queen," she said, clutching a bunch of red roses. "But the royal family, with all their power and positions, also lost a grandmother, just like me, and like every other family."

INTERNATIONAL

Single market

Brussels seeks greater crisis-fighting powers

Proposed rules aim to ease pressures caused by events such as war and pandemic

JAVIER ESPINOZA — BRUSSELS

Brussels is seeking emergency powers to force member states to stockpile key products and break contracts during a crisis such as the war in Ukraine or the coronavirus pandemic, according to plans revealed by the European Commission yesterday.

The legislation, which intends to facilitate public procurement of critical goods and services, would deter the world's leading exporters, such as China, from inflating similar measures without first informing the commission.

The "single market emergency instrument" would give the commission, the executive body of the EU, ample space to declare an emergency. Brussels would then be able to trigger interventionist measures to ensure the availability of goods – for example, by facilitating the expansion or repurposing of production lines, the EU said.

Thierry Breton, internal markets commissioner, said the new legal tool would "provide a structural answer to preserve the free movement of goods, people and services in adverse times".

"The best way to manage a crisis is to anticipate it, to reduce its impact or to prevent it from happening," he said, adding that the new rules would allow Brussels to ask companies for information about their production capacity

and inventory. The proposals, which need to be debated with member states and the European Parliament, are unlikely to become law for several months but could be in place before the current commission ends its mandate.

'We must make [the single market] stronger. We need new tools that allow us to react fast and collectively'

date in 2024. They are likely to require the approval of a qualified majority of EU states.

Breton said the new instrument would also allow regulators to prevent the fragmentation of the internal mar-

ket. "We have clearly seen that in times of crisis, member states are tempted to introduce internal restrictions on the internal market (restrictions on exports of masks, cereals, border closures) and discriminatory measures (double fuel prices), aggravating the effect of the crisis," he said.

Margrethe Vestager, the EU's executive vice-president in charge of competition, said: "The Covid-19 crisis made it clear we must make our single market operational at all times, including in times of crisis. We must make it stronger. We need new tools that allow us to react fast and collectively."

While member states agreed on the need to protect the single market in times of crisis, diplomats said many expressed concern when commission

officials presented the plans last week, with some arguing that they would go too far in allowing Brussels to intervene in corporate operations. Others accused Brussels of seeking to boost its powers without carrying out proper impact assessments of the proposed measures.

Former eastern bloc countries in particular were wary of a "command economy", one EU diplomat said, adding: "It's very sensitive. Member states have a lot of questions."

Officials said the EU needed to be better prepared to react to the next supply chain crisis. Several other countries already have measures in place for strategic reserves and priority orders, such as the US Defense Production Act.

Additional reporting by Andy Bounds in Brussels

Ukraine

Russia nearly hit nuclear plant with missile strike, says Kyiv

ROMAN OLEARCHYK — KYIV

A missile strike by Russian forces narrowly missed a nuclear power plant in southern Ukraine, officials in Kyiv said, days after an international watchdog warned that shelling at another atomic energy site risked causing a serious incident.

Ukraine's president Volodymyr Zelenskyy said yesterday the strike almost hit the Pivdennoukrainsk nuclear power plant located in the Mykolajiv region, about 200km north of the southern frontline of fighting between Russian and Ukrainian troops.

"At night, a missile fell 500 metres from the Pivdennoukrainsk nuclear power plant," Zelenskyy said in a Telegram channel post, including video footage purporting to show the strike and subsequent explosion. "Russia endangers the whole world. We have to stop it before it's too late," he added.

Energoatom, Ukraine's state nuclear power company, said three reactors at the plant continued to operate and nobody was injured. It added that about 100 windows at the site's buildings shattered and a brief power cut occurred.

Ukraine energy minister German Galushchenko yesterday accused Moscow of adopting a "nuclear terror" strategy following the invasion by Russian troops launched in February. "Russia, in desperation, is putting the world on the brink of a nuclear catastrophe," he said.

Moscow did not immediately confirm or deny the strike.

Ukraine and Russia have repeatedly accused each other of artillery strikes at another atomic energy site – the Zaporizhzhia nuclear power station, located in the southern town of Enerhodar.

The International Atomic Energy Agency, the UN's nuclear watchdog, on Thursday urged the Kremlin to surrender control of the Zaporizhzhia plant, warning that "persistent violent actions" at the site increased the risk of "a nuclear accident or incident".

The IAEA's board adopted a resolution calling on Russia to "cease" all actions at and against the nuclear plant, and any other in Ukraine, to "ensure their safe and secure operation".

Russian forces have in recent days stepped up missile attacks on critical infrastructure including electricity generators and a reservoir dam in Zelenskyy's hometown, Kryvyi Rih.

It follows a Ukrainian lightning counter-offensive in the north-eastern Kharkiv region that forced Russia's army to surrender more than 5,000 sq km of territory. It was the biggest military success by Ukraine's forces since they repelled Russia's attempt early in the war to capture the capital Kyiv.

Ukraine last week said it had uncovered a mass grave of more than 440 people in the northeastern city of Izyum that was recaptured as part of the operation. It said the discovery was further evidence of war crimes committed by Russian forces. Yesterday Russian president Vladimir Putin's spokesman Dmitry Peskov said the claims were untrue.

In an interview this weekend on CBS's 60 Minutes, US president Joe Biden said Ukraine was "defeating Russia", adding

Dress code

Iran woman's death after police arrest stirs protests

NAJMEH BOZORGMEHR — TEHRAN

Protesters clashed with security forces in Iran's biggest cities and across its Kurdish region yesterday as anger mounted over the death of a 22-year-old woman after she was detained by the Islamic republic's morality police.

The death of Mahsa Amini, a Kurdish-Iranian who was on visit to Tehran, sparked the nation. Amini was arrested by the morality police last Tuesday accused of wearing tight trousers that contravened the republic's obligatory Islamic dress codes for women, Tehran police confirmed yesterday.

While Iranian officials have denied she was killed while in detention, suggesting a heart attack put her in a coma for four days before she was released, her death has sparked calls for the abolition of the strict dress codes.

Protesters clashed with security forces in Tehran, witnesses said, with scores of women removing headscarves. Protests in north-western Kurdistan province have continued since Amini's funeral on Saturday. In the city of Divandarreh, social media showed gunfire between security forces and protesters, while businesses across the region went on strike. Protests in the central city of Isfahan and Rasht on the Caspian Sea were also reported.

"The whole [of] Iran is in blood: from Kurdistan to Tehran," students at Amir Kabir University in Tehran chanted yesterday. Others shouted: "Being killed for scarves? How long will this humiliation last?" At Tehran university students chanted: "Women, life, freedom".

"Kurdistan is shut down as people remain furious about what happened to their innocent girl," a Kurdish activist said. "Can't they see that Kurdish women took off their scarves at her funeral?"

Tehran's police chief, Brigadier General Hossein Rahimi, repeated assertions yesterday that Amini was not harmed. He said there was no camera in the van used to arrest her but there were witnesses who proved she was unin-



Japan Typhoon prompts fears of floods and landslides



A powerful typhoon tore through south-western Japan yesterday, bringing violent winds and torrential rain that left at least one dead, dozens injured and more than 300,000 households without power.

After making landfall near the city of Kagoshima in the southern island of Kyushu on Sunday, Typhoon Nanmadol headed north-east as authorities issued warnings of floods and landslides.

The typhoon later passed through Shimane prefecture, packing winds of 100mph. While the highest level of warning in Kyushu was lifted, officials at the Japan Meteorological Agency urged affected regions to remain on alert and evacuate as needed.

"There is a risk of heavy rain and violent winds on Tuesday in western and eastern Japan. We must continue to be highly vigilant," an official said. The agency predicted that up to 400mm of rain could fall in the Tokai area, south-west of Tokyo, by this

More than 80 people have been injured in the storm, according to state broadcaster NHK. One person in his 60s was found dead in his car in Miyazaki on the eastern side of Kyushu, according to a local official, after one part of the prefecture was deluged with nearly 1 metre of rain.

'There is a risk of heavy rain and violent winds in the west and east. We must be highly vigilant'

Rain, wind and thunderstorms have caused significant disruption to rail, ferry and air traffic services, prompting widespread cancellations yesterday.

Fumio Kishida, prime minister, delayed his flight to New York to attend the UN General Assembly by a day as government officials held meetings to assess the damage from the typhoon. Ahead of the storm's landfall on

the surrounding prefecture were warned to seek shelter in the sturdiest buildings and, if possible, to take refuge on higher floors.

The evacuation warnings for millions of people issued by local authorities are non-mandatory – a status that, in the past, has meant large numbers remained in their homes beyond the point when they could easily move to a shelter.

Japanese media reports said tens of thousands of people had relocated to evacuation centres as electricity was cut, while mobile phone networks battled to remain operational.

The expected trajectory mapped by the meteorological agency showed the typhoon heading towards the south-western region of Japan's main island of Honshu yesterday and continuing north-east on Tuesday.

Tokyo was not near the centre of the typhoon's expected path.

jured. Police CCTV videos show she walked out of the van before collapsing.

above, Miyazaki — Kyodo News/AP

morning.

Sunday, residents of Kagoshima and

Kana Inagaki and Leo Lewis, Tokyo

that victory meant "to get Russia out of Ukraine completely".

FT FINANCIAL TIMES

FTWeekend

MAKE A WISE INVESTMENT

- Choose the Financial Times subscription for you
- React to trusted global news everywhere you go, with ft.com and FT apps
- Get the iconic FT newspaper delivered to your home or office from Monday to Saturday
- Enjoy our award-winning lifestyle journalism with FTWeekend

Subscribe today at ft.com/subscribe/today

Military aid

UK pledges further £2.3bn for Ukraine war effort next year

GEORGE PARKER — LONDON

Liz Truss will this week tell world leaders that Britain will next year match or exceed the £2.3bn it committed to Ukraine's war effort against Russia in 2022, on her first overseas trip as UK prime minister.

Truss, who met many leaders on the margins of Queen Elizabeth's state funeral in London yesterday, arrives in New York today with a hawkish commitment to stand by Ukraine for the long haul.

Speaking ahead of the trip, Truss vowed to the people of Ukraine: "The UK will continue to be right behind you every step of the way." She will repeat that message in an address to the UN general assembly tomorrow.

Her trip to New York, where she will also hold bilateral talks with US president Joe Biden, marks the return of normal politics in Britain after 10 days of national mourning and the start of a crucial week for her Conservative government.

Tomorrow, Jacob Rees-Mogg, business secretary, will set out more details of an energy bailout for companies,

while on Thursday, Thérèse Coffey, health secretary, will present a plan to shore up a struggling NHS.

Later, Truss will be back in London to see Kwasi Kwarteng, the finance minister, deliver tax cuts as part of a mini-Budget on Friday that will focus on her plan to boost Britain's sluggish economic growth rate.

The opposition Labour party, which has refrained from political attacks during the mourning period, will resume criticism of Truss, claiming her government will favour the rich and profitable big business over ordinary people.

Sir Keir Starmer, Labour leader, will target Kwarteng's plan to scrap a cap on bankers' bonuses, his refusal to impose an expanded windfall levy on energy companies and his plan to reverse a corporate tax increase.

Ed Miliband, shadow climate change secretary, said: "From ducking a windfall tax to giving bankers bonuses whilst working people suffer, Liz Truss is confirming what we've known all along: that Conservatives will never stand up for the British people."

Kwarteng will argue his massive state intervention to hold down energy bills

proves he is helping ordinary people. He claims that tax cuts generate growth, even if they are funded by borrowing.

Truss, foreign secretary in Boris Johnson's government, will use her speech at the UN to urge the west to step up support for Kyiv following Ukraine's successes on the battlefield against Russia.

Truss has previously said Moscow must leave the "whole of Ukraine", a reference to her belief Russian president Vladimir Putin should also pull his forces out of Crimea, which he invaded in 2014.

Downing Street said the UK was

already the second-largest military donor to Ukraine, committing £2.3bn in 2022.

Britain has trained 27,000 members of the Ukrainian armed forces since 2015, and the prime minister's office said the UK had provided hundreds of rockets, five air defence systems, 120 armoured vehicles and other equipment.

Truss's allies claim that last week saw the largest commercial road movement of ammunition since the second world war. Tens of thousands more rounds of UK-donated artillery ammunition went to the front lines in Ukraine.

Truss's bilateral talks with Biden will cover issues including Ukraine and the stand-off between Britain and the EU over post-Brexit trading arrangements in Northern Ireland. Biden has already told Truss to seek a negotiated settlement with the EU on the issue.

Truss will also hold talks today with French president Emmanuel Macron, who has paid eloquent tribute to the Queen and to Anglo-French relations in recent days. During the Tory leadership contest, Truss said that "time will tell" whether Macron was "friend or foe".



Reclaimed land: a Ukraine armoured vehicle in the Kharkiv area last week

Tuesday 20 September 2022

FINANCIAL TIMES

5

INTERNATIONAL

Arab Israelis disillusioned after Abbas's coalition stint

Failure to deliver could discourage Palestinians taking part in election

JAMES SHOTTER — NAZARETH

Mansour Abbas's decision to take his Islamist Ra'am grouping into a sprawling, eight-party coalition last year was hailed as a taboo-breaking moment in Israeli politics. It was the first time in the country's history that an independent Arab party was part of government.

But the coalition's acrimonious collapse after just 12 months in power has left Israel facing its fifth election in under four years. Polls suggest that despite Abbas's gambit, the level of Arab voter discouragement has gone up, rather than down, over the past year.

"I didn't feel any change whatsoever," said Ibrahim Hassan, a 21-year-old working in a cake shop in Nazareth, of Abbas's involvement in parliament. "There is a difference between Arabs and Jews. They have better rights. We have less. We have less than less."

Palestinian citizens of Israel make up about a fifth of the country's 9.4mn-strong population. How, and whether, they vote could play a significant role in

we are in the salon of the Israelis in Tel Aviv. No one can ignore us."

The eight-party coalition deal struck last year included a pledge to direct Shk20bn (\$8.7bn) in much-needed funding to the Arab community and a further Shk2.5bn to fight the crime wave afflicting Arab areas.

But by the time the government fell, only a fraction of the money had been spent. Ra'am's other signature achievement — the passing of a bill to allow Arab homes built without permits to connect to Israel's electricity grid — was neutered by amendments demanded by rightwing coalition partners.

On the streets of Nazareth, home to Israel's largest Arab population, many voters are deeply frustrated at Arab politicians' inability to alleviate the problems the community faces, which range from pervasive discrimination to rising violence and economic hardship.

"We just see [politicians] at weddings and funerals. I am someone who works on this street every day and I don't see them at all," said Tawfiq Ali Musa, who runs a small store selling snacks. "They need to pay a price for the fact that they didn't help. I didn't vote last time. . . . Now I am even feeling that I should persuade people to boycott the election."

Ra'am's rivals say the lack of impact shows that it was a mistake to join the government. "To be in a coalition that is much more rightwing than the Netanyahu government, with no achievements for the Arab minority and with catastrophic votes against our people — it's a big mistake," said Ahmad Tibi, a leading politician in the joint list, an alliance of Arab parties from which Ra'am split before joining the coalition.

"The direct influence of [Ra'am's stint in government] will be bringing down the [Arab] turnout. Because people will say that even though you were in the coalition, you did nothing."

Polls suggest turnout among Arab voters could fall to about 40 per cent, down from around 45 per cent last year and a far cry from the 65 per cent who voted in 2020. But an even bigger impact could come from the fragmentation of the joint list, which split further on Thursday, raising the risk that none of its parties enters parliament.

With opinion polls previously putting Netanyahu's bloc just short of the 61 parliamentary seats needed to form a government, analysts say these two factors could help him inch over the threshold. More fundamentally, the dis-



"There is a difference between Arabs and Jews. They have better rights. We have less. We have less than less"

Arab worker

Knesset: the coalition's joint leader, Naftali Bennett, left, with Mansour Abbas last year

FTWeekend



policies that would improve their daily lives. "The Zionists want us to be invisible all the time. The question is how we change this situation to be visible in the public sphere," said Rassen Khamaisi, an urban planner and professor at the University of Haifa. "Now [following Ra'am's decision to enter government],

affection of Arab voters underscores the mounting frustration in Palestinian politics, according to Raef Zreik, a Palestinian jurist and scholar. "To be part of Israeli politics is not promising. But to be out of Israeli politics is not promising either. So people in this sense are more and more frustrated by politics."

Pandemic

Fauci fears Covid anti-vax threat to child disease jabs

JAMIE SMYTH — WASHINGTON

Joe Biden's chief medical adviser has warned that the demoralisation of Covid-19 jabs could spill over into childhood immunisation programmes and lead to outbreaks of disease.

Dr Anthony Fauci said that political divisions in public health were preventing a "laser-beam focus" on the common enemy — coronavirus. Some US states were not promoting Covid vaccination, while Congress was blocking billions of dollars of funding, both of which were holding back the national response to the pandemic, he said.

"I'm concerned that the acceleration of an anti-vax attitude in certain segments of the population . . . might spill over into that kind of a negative attitude towards childhood vaccinations, which would be very tragic," said Fauci.

The state of New York declared an emergency this month following the detection of poliovirus in wastewater in several counties. In July, doctors diagnosed the first case of paralytic polio in the US in a decade in Rockland, a county that has a poliovirus vaccination rate of 60 per cent for children aged two years — well below the 95 per cent level needed for herd immunity.

Rockland also suffered a measles outbreak in 2018-19, which saw 312 people fall sick and was linked to low measles vaccination rates in the county.

In July, the World Health Organization released data showing the largest sustained decline in global childhood vaccinations in three decades.

A recent study suggested only a 1 per cent point fall in US coverage rates for the main childhood vaccinations between 2020 and 2021. But the Biden administration is concerned anti-vax attitudes could spread. Just two-thirds of Americans have received two Covid jabs while only a third have got a booster, well below the rate in most other developed nations.

Public health officials need to counteract misinformation on social media and build public trust in vaccines, said Fauci. He called on state governments and Congress to "pull together".

Fauci, who has become a focus for Republican criticism of the Covid response, did not name any politicians who have allegedly fuelled anti-vax sentiment. But several health experts have criticised prominent Republican governors, including Ron DeSantis in Florida and Greg Abbott in Texas, for leading efforts to block vaccine mandates.



Get HTSI, inside FTWeekend on Saturday and Sunday 24-25 September FT.COM/HTSI

INTERNATIONAL

China threat

Biden reiterates willingness to defend Taiwan

President Joe Biden said the US would defend Taiwan from a Chinese attack, in a strong warning to Beijing one month after China held large-scale military exercises in response to House Speaker Nancy Pelosi's visit to Taipei.

Asked in an interview on Sunday with CBS News's 60 Minutes whether he would deploy US forces to defend Taiwan from Chinese military action, Biden replied: "Yes, if in fact there was an unprecedented attack".

When pressed again on whether the US would send forces to defend Taiwan, in contrast to the situation in Ukraine, the president said: "Yes".

Yesterday, a Chinese foreign ministry spokesperson said Beijing "deplores and rejects" Biden's comments and had registered "solemn complaints" with the US, according to Associated Press.

Biden has issued three similar warnings in the past, but Sunday was the first

time he has done so since China reacted furiously to Pelosi's visit with the unprecedented move of firing ballistic missiles over Taiwan.

Biden made a similar statement about defending Taiwan in Japan in May. At the time, he said US policy on Taiwan had not changed. But his comments have been viewed as diluting Washington's decades-long policy of "strategic ambiguity".

Under the policy, the US does not specify whether it would defend Taiwan, in an effort to discourage Taipei from declaring independence and deter

China from using force to press its claim of sovereignty over the island.

Some experts have urged the Biden administration to adopt a policy of "strategic clarity", sending a stronger message to Beijing as the Chinese military increases its aggressive activity around Taiwan. But others said his comments had created a new kind of confusion.

The White House said on Sunday that, notwithstanding Biden's clear comment about defending Taiwan, US policy on Taiwan was the same.

"In my view, 'strategic ambiguity' is

being eroded, but what is replacing it is closer to 'strategic confusion' than 'strategic clarity'," said Bonnie Glaser, a China and Taiwan expert at the German Marshall Fund.

Biden's remarks came days after the Senate foreign relations committee passed the Taiwan Policy Act, a bill to authorise \$6.5bn in funding for weapons and military training for Taiwan. The bill would also force the president to impose sanctions on major Chinese state-owned banks if Beijing escalated its aggression towards Taiwan, which could include actions such as a blockade

or the seizure of Taiwan's offshore islands.

US and Chinese officials are also discussing the possibility of Biden and his counterpart, Xi Jinping, meeting in person for the first time as leaders at the G20 summit in Indonesia in November.

China accuses the US of diluting the "one China" policy, under which the US recognises Beijing as the government of China but only acknowledges, without endorsing, its view that Taiwan is part of China.

Additional reporting by Tom Mitchell in Singapore

Constitution

Mexican opposition split by bill to boost army

DAVID AGREN — MEXICO CITY

The government of Andrés Manuel López Obrador has received a boost ahead of state elections next year after a plan to give more power to Mexico's military fractured an already weak opposition coalition.

A constitutional amendment authorising the defence ministry to oversee public security until 2028 was passed last week after the Institutional Revolutionary Party (PRI) — one of three opposition partners — dropped its opposition and supported López Obrador's plan.

Alejandro Moreno, the PRI's leader, was facing accusations of corruption and critics claim his volte-face was aimed at protecting himself from prosecution, which he denies.

"What happened was completely predictable," said Fernando Dworak, a Mexican political analyst. "The entire traditional political class has skeletons in the closet and is especially vulnerable to any scandal."

The PRI voted with the ruling Morena party and its allies to overcome the two-thirds threshold necessary for altering Mexico's constitution. The lower house of congress approved the amendment on Wednesday night and it now moves to the Senate.

In response, the PRI's partners — the National Action Party (PAN) and the Democratic Revolution Party (PRD)

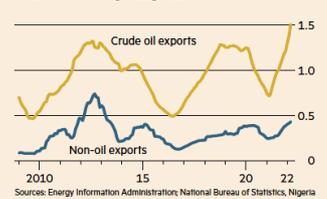
West Africa. Currency crisis



Nigeria's oil output has hit a 32-year low Crude oil production (mm barrels per day)



Oil dominates Nigerian exports Twelve-month rolling average (naira 1n)



Nigeria dollar shortage batters economy

Airlines and investors hit by lack of US money as nation fails to profit from rising oil prices

AANU ADEOYE AND DAVID PILLING LAGOS

On the supply side, dollar revenues from oil have plummeted because of massive theft, pushing down official daily production of crude to 1.1mn barrels, far below Nigeria's Opec quota of 1.8mn b/d. Angola has now usurped Nigeria as Africa's biggest oil producer. Nigeria's petrol subsidy, under which

which reached a 17-year high of 19.6 per cent in July. The central bank has raised interest rates by 250 basis points to 14 per cent since May.

Nigeria has a complex and opaque exchange rate regime with multiple exchange rate "windows". The central bank seeks to manage limited supply and the volatility of the dollar

the oil price crash of 2014, when prices fell by 52 per cent in six months. The federal government, which collects taxes worth only 6 per cent of GDP, one of the lowest rates in the world, earns the bulk of its revenue and almost 90 per cent of its foreign exchange from oil exports. Data from the national statistics agency put Nigeria's non-oil exports

Nigeria had become less attractive for foreign investors, partly thanks to the difficulty of repatriating revenue.

"The FX market is very tight in terms of liquidity," she said. "Nigeria relies significantly on oil inflows, but you need other flows of capital like remittances, most of which do not go through official channels."

DEMOCRATIC REVOLUTION PARTY (PKD) — suspended the coalition.

The opposition is now in disarray ahead of state elections next year in two longtime PRI strongholds — Coahuila in northern Mexico and Mexico state, which surrounds Mexico City on three sides — and the 2024 presidential elections.

“If the bet is on tossing the alliance, they’re condemning themselves to defeat beforehand,” said Aldo Muñoz, political science professor at the Autonomous University of Mexico State.

“Their level of competitiveness is not enough to win elections in Coahuila and Mexico state.” Critics accuse Moreno of switching his position on militarisation to protect himself from accusations of misappropriating public money and owning lavish properties, levelled at him by the president’s allies.

Moreno presented a proposal for extending the military control over public security, which met with López Obrador’s approval.

So tight is the supply of dollars in Nigeria these days that even big global airlines are struggling to repatriate revenue from ticket sales. Emirates said it would suspend flights to and from Nigeria from September, only resuming flights to Lagos when the central bank released \$265m of the estimated \$464m that airlines say it was sitting on.

Currency traders and investors say Nigeria’s chronic dollar shortage, a constant complaint of businesses operating in the country, has recently tipped into crisis. The naira, which trades officially at N421 to the dollar, has fallen to N700 on the parallel market, with talk that it could weaken further.

its car owners enjoy among the cheapest fuel in the world (\$0.40/litre), means the federal government receives less revenue. The higher the oil price, the bigger the gap between the real and the subsidised price and the higher the bill for the government.

Political parties also scrambled for dollars to hand out to delegates in presidential primaries held in May and June, pushing demand and supply further out of kilter. Central bank governor Godwin Emefiele might have compounded the problem by warning politicians that those caught changing naira into dollars on the black market would be arrested.

and to prioritise allocation of dollars to areas of the economy, such as agriculture. “It’s really a perfect storm. No one could have foreseen it: low oil production and high dollar demand”

ture, that it deems a priority. Last year, the bank stopped selling dollars to bureau de change operators to guard its limited reserves of \$38bn, further spooking the market. Investors complain that the multi-window system is unnecessarily opaque. Those who receive dollars can buy naira on the black market in a gambit known as “round tripping”.

tics agency put Nigeria’s non-oil export earnings in 2021 at \$16bn against \$145bn from crude oil sales. Years of under-investment in oil infrastructure have eroded production, meaning Nigeria has not benefited from the higher oil prices resulting from Russia’s invasion of Ukraine. Widespread crude oil theft, estimated by the Nigerian National Petroleum Company at 400,000 barrels daily, has depressed production. Some pipelines have suspended operations, including a Shell installation that shut down in June.

Half a dozen analysts and executives interviewed by the Financial Times, who declined to be named for fear of central bank retribution, said the bank’s policies were damaging the investment environment. “If you give you no indication of when you’ll be able to get your money out of the country,” said one executive, adding that their company would make no further investments until the matter was resolved.

Regional control

India’s BJP accused of ‘resort politics’ to convert opposition state legislators

JOHN REED AND JYOTSNA SINGH — RANCHI

The man who runs India’s eastern, mineral-rich Jharkhand state survived a confidence vote after an unusually stormy legislative session this month.

In an impassioned speech to the assembly shortly before the vote, chief minister Hemant Soren accused Prime Minister Narendra Modi’s Bharatiya Janata party of “nibbling away” at his state government “like mice”.

“When they cannot take us on politically, the BJP has been trying to destabilise popularly elected opposition-ruled states, one by one,” he said. “If they are trying to topple the state government by threatening and buying up legislators.”

Soren provided no evidence of bribery. But politicians and analysts say the scenes in Ranchi, Jharkhand’s capital, were part of an intensifying struggle over who controls India’s regions. And while Soren won the “trust vote”, other state governments have been toppled in the past two years after legislators from other parties switched to the BJP.

Politicians and analysts say that poaching rival parties’ assembly members with money or favours is a longstanding feature of Indian regional politics, also practised by opposition groups. But Asim Ali, a political analyst and columnist, said the current drive was part of an “ideological project” to “paint the country orange” — a reference to the BJP’s official saffron colour. Modi’s BJP has a firm majority in the

parliament in New Delhi and the attempts to topple regional governments come two years ahead of national elections, where the party will seek re-election for a third term against an increasingly divided opposition.

“In India, MLAs (members of the legislative assembly) and MPs are not very ideologically bound,” Ali said. “If you give them a lot of money, they can easily shift, and voters don’t punish MLAs who shift.”

BJP officials did not respond to requests for comment. However, party figures have denied paying off legislators and dismissed as smear opposition party suggestions they have done so.

At the Jharkhand assembly session, Nilkanth Singh Munda, a senior BJP leader in the state, hit back. The ruling United Progressive Alliance, a coalition that includes Soren’s party, was keeping its MLAs on-side by taking them on paid trips because of “its own lack of faith in them”, Munda said.

A few days before the crucial September 5 “trust vote”, the UPA sought to prevent MLAs from the coalition defecting by flying 32 of them on a chartered jet to neighbouring Chhattisgarh state.

Indians have coined the phrase “resort politics” to describe the increas-

ingly common practice of flying MLAs on junks in order to keep them out of reach of rival parties.

In June, the government of Maharashtra state slipped from the grasp of the Shiv Sena party and was replaced by a BJP-led coalition. This came after a 10-day odyssey in which breakaway MLAs criss-crossed the country.

Elkath Shinde, a Shiv Sena MLA who switched his loyalty to the BJP, led “rebel legislators” first to BJP-governed Gujarat, then to two other states controlled by the ruling party: Assam in India’s north-east and Goa in the west. The journey, followed closely by Indian

media, ended on July 1 when a SpiceJet plane brought the rebels back to Maharashtra and a new BJP-led state government was installed with their support.

Since 2019, the BJP has also won control of Karnataka state, home of India’s tech capital Bangalore, and the central state of Madhya Pradesh. Modi’s opponents describe the state takeovers as part of a broader drive to consolidate BJP dominance of politics, media and other areas of public life.

In New Delhi’s national capital region, deputy chief minister Manish Sisodia claimed last month the BJP had promised to drop cases against him stemming from an excise duty scandal if he agreed to defect.

In Jharkhand, many of whose inhabitants are members of India’s indigenous tribal minority, some say the struggle for control of state governments is not just about amassing political power, but also resources. “Coal, bauxite, gold, diamonds, we have everything here,” said Supriyo Bhattacharya, a spokesman for Jharkhand’s governing UPA coalition.

“In smaller states, it is very easy to destabilise governments by corporate lobbying,” said Sudhir Pal, an analyst. “You just have to buy 15 MLAs to destabilise a government now.”



Hemant Soren, Jharkhand state leader, survived a confidence vote

Contracts & Tenders

Advertisement for Directorate General Information Technology, Balochistan. Includes a table with columns for S.#, Tender, TSE#, and Cost. The table lists a tender for laptops for students of Balochistan with a cost of 999.00 Million.

Short shrift Hedge funds are boosting their bets against long-only asset managers as stocks and bonds retreat MARKETs

Companies & Markets

Norway’s oil fund calls for renewed focus on ESG agenda

- Chief raises fears over US ‘backlash’
Downturn puts investor zeal to test

RICHARD MILNE — OSLO

The head of the world’s largest sovereign wealth fund has urged investors to stay focused on environmental, social and governance issues, warning of a “real danger” that economic turmoil and a political backlash in the US will drive them down the agenda.

Surging inflation, a renaissance in fossil fuels sparked by the war in Ukraine and growing resistance from Republican states in the US has cast doubt on the seemingly unstoppable rise of ESG investing, which asset managers have rushed to embrace in recent years.

Nicolai Tangen, head of Norway’s \$1.2tn oil fund, told the Financial Times: “We are observing the backlash against

large investor with a diversified portfolio there is no way that you can run away from these problems,” said Tangen. “If you have one part of the portfolio that is polluting and destroying the environment, you’re going to be hit in another part of the portfolio.”

Investors are confronting a far more punishing backdrop this year than they expected, Tangen acknowledged. The European Central Bank and the Bank of England are both raising interest rates to combat inflation even as economic growth slows, while in the US consumers are being squeezed by higher prices.

“Last year if you had asked us, what’s the worst case on inflation, we are beyond that what we would have considered the worst case.”

“If you said what is the worst case on energy, we are beyond that. Geopolitically, we are beyond what we would have considered the worst case. So we are in a pretty bad place,” he added.

The downturn in stocks pushed the fund to its largest ever dollar loss in the first half, as it fell 14.4 per cent. Nonetheless, he stressed: “We must not forget decarbonisation in this environment.”

Alongside the acute inflationary and

Bitter taste Ben & Jerry’s founders claim Unilever ‘usurped’ board in Israel dispute



Ben & Jerry’s was sold to Unilever under an arrangement that gave its board autonomy on social issues

PATRICK TEMPLE — NEW YORK

The co-founders of Ben & Jerry’s have accused parent company Unilever of usurping its independent board as the ice-cream brand fights a court

and Unilever that is playing out in a US district court. In June, Unilever sold the Israeli business of the ice-cream maker to a local licensee.

The sale was designed to quell a controversy that engulfed the com-

pany and its unique agreement in place. . . . The agreement lasts in perpetuity. And so it must be respected.”

Neither Cohen nor Greenfield is on Ben & Jerry’s board. In August, Ben & Jerry’s lost a request for a preliminary

VW targets €70bn-€75bn Porsche price tag for IPO

JOE MILLER — NEW YORK

Volkswagen will price shares in Porsche at between €76.50 and €82.50, the German group announced late on Sunday, leading to a partial IPO that would put a value on the historic sports car brand of €70bn-€75bn, in the middle of the range of analysts’ expectations.

The flotation of 12.5 per cent of Porsche, planned for September 29 in Frankfurt, will deliver €8.7bn-€9.4bn to the marque’s parent company. VW has said it will use almost half of the proceeds to pay a one-off special dividend, while the remaining funds will be deployed to help the carmaker pay for the transition to battery technology.

Roughly €3.8bn worth of shares have been earmarked for a combination of backers: the Qatar Investment Authority, a big VW shareholder that intends to acquire almost 2.5 per cent of Porsche, along with Norges Bank, T Rowe Price, the investment firm, and ADQ, the Abu Dhabi sovereign fund. The last three have committed to subscribe for non-voting shares worth €750m, €750m and €300m, respectively.

“We are now in the home stretch with the IPO plans for Porsche,” said VW chief financial officer Arno Antlitz.

As part of the partial IPO, which would become one of the largest European offerings, the Porsche-Piëch families, who are VW’s anchor shareholders, will buy a further 12.5 per cent of Porsche, at a premium of 7.5 per cent on the price of the shares offered to the general public. The families’ tranche will carry voting rights.

Depending on the final offer price for the IPO, the proceeds from the sale of shares to the Porsche-Piëch clan — who

think it's more important than ever to retain the focus on these extremely important matters."

Norway's oil fund, which manages Oslo's petroleum revenues, has repeatedly stated that addressing ESG issues is one of the biggest levers it has in attempting to generate strong returns. It is one of the biggest shareholders in the world, owning the equivalent of about 1.5 per cent of every listed company.

The oil fund last week held a seminar on decarbonisation featuring 17 business leaders, including from Shell and Nestlé, as well as portfolio managers from Fidelity Investments, T Rowe Price and Wellington Management.

"What is very clear is that if you're a

geopolitical pressures, ESG investing has come under fire from Republican lawmakers who say that the agenda risks jobs linked to fossil fuels.

Norway's oil fund will unveil its new climate action plan today after the government approved a proposal that its responsible investment be based on a long-term goal of pushing companies towards net-zero emissions.

The oil fund has started voting against the entire board in companies that fail to manage climate risk properly. Carine Smith Ihenacho, chief governance and compliance officer at the fund, said: "What we want to convey is how important it is for investors (to) continue to push companies in the right direction."

case in the US over sales in occupied Palestinian territories.

Speaking publicly for the first time about the lawsuit, Ben & Jerry's founders Ben Cohen and Jerry Greenfield said the UK consumer goods giant broke an acquisition clause that gives the ice-cream company independent control of its social mission.

"Unilever has usurped their authority and reversed a decision that was made. And we can't allow that to happen," Cohen said in an interview with MSNBC. "That is essentially saying: 'Well, the independent board does not matter.'"

The comments escalated a fight between Vermont-based Ben & Jerry's

pany when Ben & Jerry's said last year it would halt ice-cream sales in the West Bank and East Jerusalem in apparent protest at Israel's occupation.

This July, Ben & Jerry's filed a lawsuit alleging the licence sale violated the terms of Unilever's 2000 takeover, which allowed the ice-cream maker to retain an independent board in a unique arrangement that gave it autonomy to focus on social issues.

"The independent board has authority over the social mission of the company," Greenfield said on MSNBC. "In order for us to sell the company, it was essential that we

injunction to block Unilever's sale to allow its products to be sold or distributed in the West Bank. Ben & Jerry's must file an amended complaint by September 27, the court said.

Asked about allegations of anti-Semitism following Ben & Jerry's announcement last year, Cohen, who said he was Jewish, replied: "It's not about the people in Palestine just as much as it's care about the people in Israel, is that anti-Semitic?"

"There are mothers, fathers, sisters and brothers in Palestine that I care about," he said. "I care about their human rights."

Unilever did not immediately respond to a request for comment.

lost direct control of the company when VW bought Porsche in a reverse takeover in 2012 — will bring in a further €9.4bn-€10bn. Almost half of this will go towards a special dividend to VW shareholders, including the families.

Analysts had calculated that the long-awaited Porsche IPO could achieve a valuation for the profitable brand of €60bn-€90bn. However, bankers working on the flotation said the offering would be subject to a "corporate governance discount" of 50-40 per cent, with investors balking at the complexity of VW and Porsche's ownership and management structures.

A full prospectus was scheduled to be published yesterday.

New chief executives must learn to thrive in an age of uncertainty

INSIDE BUSINESS LEADERSHIP

Anjali Raval



big pandemic-related drop to 18. While the rate of departures across Europe for companies listed on the EuroNext index has fallen year on year, S&P 500 companies in the US have seen an increase of almost 15 per cent this year.

At least some of the departures are ones delayed by the turmoil brought on by Covid-19 pandemic. In times of upheaval, it is natural for corporate boards to seek stability by keeping chief executives in place. After getting through the worst of the coronavirus-related storm, the departures are now coming thick and fast. "A number of CEOs stayed on longer than they should have," Meynell adds.

Such transitions offer boards the chance to review what qualities they need from a chief executive — and while the pandemic has eased, current turbulence means that the operational triumphs usually proffered on a CV and other traditional markers of managerial potential are now the bare minimum.

Chief executives have always had crises to deal with. The past 15 years alone have seen the global credit crunch, the sovereign debt crisis in Europe, Brexit and US-China trade tensions. But the sheer number of factors today that could potentially derail companies and their leaders is unusual — from market volatility, supply-chain crises, surging inflation, the war in Ukraine, talent shortages and digital transformations to culture wars within companies.

These come on top of longer-running structural changes facing global industries from technological advances to new investment trends spurred by a rising sustainability agenda.

In addition, boards are being drawn to CEOs with better "softer" skills — being a good communicator and having high emotional intelligence to manage a more vocal shareholder base as well as a more diverse workforce. With a cost of living crisis in full force, worker unrest is now also on the rise.

As one top boss told me: "Every CEO is spinning plates. Before there were 20, now there are 200 and you're getting RSI [repetitive strain injury]."

Such pressures mean boards must prioritise agility in selecting leaders. After an era of managing for efficiency, CEOs must look to build resilience.

"The nature of what might come at you, as well as its frequency and magnitude, is what is new. Right now everyone is performing without a net. We are in a different era and boards know this," said Michael Birshan, co-leader of the strategy and corporate finance practice at McKinsey — a firm that suffered its own management turmoil when its CEO was ousted last year after mishandling a string of crises.

However, resilience is not the same as caution. The most successful company leaders are the ones not afraid to make big calls and find opportunities in times of crisis. This could include overhauling acquisition strategies and capital allocation plans of finding new ways of retaining and hiring the best talent.

In short, any incoming CEO faces a daunting level of uncertainty in their infancy. This is not necessarily a negative. As Nathan Furr and Susannah Harmon Furr write in their new book, *The Upside of Uncertainty*: "We are all wired to fear the downsides of uncertainty, but we forget that change, creation, transformation and innovation rarely show up without some measure of it."

anjali.raval@ft.com

Legal Notices

IN THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF TEXAS, HOUSTON DIVISION re: ALTRA INFRASTRUCTURE L.P., et al. Case No. 22-06130 (MD Debtor(s)). (Jointly Administrated)

NOTICE OF DEADLINE FOR FILING OF PROOFS OF CLAIM, INCLUDING REQUESTS FOR PAYMENTS UNDER SECTION 503(b)(9) OF THE BANKRUPTCY CODE, THE CLAIMS BAR DATE, AND THE CLAIMS BAR DATE FOR THE CLAIMS BAR DATE FOR CHAPTER 11 PLAN.

PREVAILING CENTRAL TIME

PLEASE TAKE NOTICE OF THE FOLLOWING: **THE GOVERNMENT CLAIMS BAR DATE FOR FEBRUARY 6, 2022 AT 5:00 P.M. PREVAILING CENTRAL TIME**

Deadline for Filing Proofs of Claim: On September 12, 2022, the United States Bankruptcy Court for the Southern District of Texas (the "Court") entered an order (Order No. 224) (the "Bar Date Order") establishing certain deadlines for the filing of proofs of claim, including requests for payment under section 503(b)(9) of the Bankruptcy Code (collectively, "Proofs of Claim"), in the Chapter 11 case of the following debtors and debtors in possession (collectively, the "Debtors"): **ALTRA INFRASTRUCTURE L.P.**, 22-06130; **ALP Energy**, 22-06145; **ALP Gas**, 22-06152; **ALP Power**, 22-06156; **ALP Renewables**, 22-06163; **ALP Renewables Services**, 22-06164; **ALP Ocean Wave**, 22-06165; **ALP Shore**, 22-06166; **ALP Solar**, 22-06167; **ALP Storage**, 22-06168; **ALP Wind**, 22-06169; **Altra Infrastructure Finance Corp.**, 22-06174; **Altra Infrastructure FSI Holdings**, 22-06175; **Altra Infrastructure F.I.L.C.**, 22-06176; **Altra Infrastructure Holdings**, L.L.C., 22-06177; **Altra Infrastructure Production Holdings**, 22-06178; **Altra Infrastructure Production F.I.L.C.**, 22-06179; **Altra Infrastructure Production L.L.C.**, 22-06180; **Altra Infrastructure Production Services L.L.C.**, 22-06181; **Altra Infrastructure Production Services F.I.L.C.**, 22-06182; **Altra Infrastructure Production Services L.L.C.**, 22-06183; **Altra Infrastructure Production Services F.I.L.C.**, 22-06184; **Altra Infrastructure Production Services L.L.C.**, 22-06185; **Altra Infrastructure Production Services F.I.L.C.**, 22-06186; **Altra Infrastructure Production Services L.L.C.**, 22-06187; **Altra Infrastructure Production Services F.I.L.C.**, 22-06188; **Altra Infrastructure Production Services L.L.C.**, 22-06189; **Altra Infrastructure Production Services F.I.L.C.**, 22-06190; **Altra Infrastructure Production Services L.L.C.**, 22-06191; **Altra Infrastructure Production Services F.I.L.C.**, 22-06192; **Altra Infrastructure Production Services L.L.C.**, 22-06193; **Altra Infrastructure Production Services F.I.L.C.**, 22-06194; **Altra Infrastructure Production Services L.L.C.**, 22-06195; **Altra Infrastructure Production Services F.I.L.C.**, 22-06196; **Altra Infrastructure Production Services L.L.C.**, 22-06197; **Altra Infrastructure Production Services F.I.L.C.**, 22-06198; **Altra Infrastructure Production Services L.L.C.**, 22-06199; **Altra Infrastructure Production Services F.I.L.C.**, 22-06200; **Altra Infrastructure Production Services L.L.C.**, 22-06201; **Altra Infrastructure Production Services F.I.L.C.**, 22-06202; **Altra Infrastructure Production Services L.L.C.**, 22-06203; **Altra Infrastructure Production Services F.I.L.C.**, 22-06204; **Altra Infrastructure Production Services L.L.C.**, 22-06205; **Altra Infrastructure Production Services F.I.L.C.**, 22-06206; **Altra Infrastructure Production Services L.L.C.**, 22-06207; **Altra Infrastructure Production Services F.I.L.C.**, 22-06208; **Altra Infrastructure Production Services L.L.C.**, 22-06209; **Altra Infrastructure Production Services F.I.L.C.**, 22-06210; **Altra Infrastructure Production Services L.L.C.**, 22-06211; **Altra Infrastructure Production Services F.I.L.C.**, 22-06212; **Altra Infrastructure Production Services L.L.C.**, 22-06213; **Altra Infrastructure Production Services F.I.L.C.**, 22-06214; **Altra Infrastructure Production Services L.L.C.**, 22-06215; **Altra Infrastructure Production Services F.I.L.C.**, 22-06216; **Altra Infrastructure Production Services L.L.C.**, 22-06217; **Altra Infrastructure Production Services F.I.L.C.**, 22-06218; **Altra Infrastructure Production Services L.L.C.**, 22-06219; **Altra Infrastructure Production Services F.I.L.C.**, 22-06220; **Altra Infrastructure Production Services L.L.C.**, 22-06221; **Altra Infrastructure Production Services F.I.L.C.**, 22-06222; **Altra Infrastructure Production Services L.L.C.**, 22-06223; **Altra Infrastructure Production Services F.I.L.C.**, 22-06224; **Altra Infrastructure Production Services L.L.C.**, 22-06225; **Altra Infrastructure Production Services F.I.L.C.**, 22-06226; **Altra Infrastructure Production Services L.L.C.**, 22-06227; **Altra Infrastructure Production Services F.I.L.C.**, 22-06228; **Altra Infrastructure Production Services L.L.C.**, 22-06229; **Altra Infrastructure Production Services F.I.L.C.**, 22-06230; **Altra Infrastructure Production Services L.L.C.**, 22-06231; **Altra Infrastructure Production Services F.I.L.C.**, 22-06232; **Altra Infrastructure Production Services L.L.C.**, 22-06233; **Altra Infrastructure Production Services F.I.L.C.**, 22-06234; **Altra Infrastructure Production Services L.L.C.**, 22-06235; **Altra Infrastructure Production Services F.I.L.C.**, 22-06236; **Altra Infrastructure Production Services L.L.C.**, 22-06237; **Altra Infrastructure Production Services F.I.L.C.**, 22-06238; **Altra Infrastructure Production Services L.L.C.**, 22-06239; **Altra Infrastructure Production Services F.I.L.C.**, 22-06240; **Altra Infrastructure Production Services L.L.C.**, 22-06241; **Altra Infrastructure Production Services F.I.L.C.**, 22-06242; **Altra Infrastructure Production Services L.L.C.**, 22-06243; **Altra Infrastructure Production Services F.I.L.C.**, 22-06244; **Altra Infrastructure Production Services L.L.C.**, 22-06245; **Altra Infrastructure Production Services F.I.L.C.**, 22-06246; **Altra Infrastructure Production Services L.L.C.**, 22-06247; **Altra Infrastructure Production Services F.I.L.C.**, 22-06248; **Altra Infrastructure Production Services L.L.C.**, 22-06249; **Altra Infrastructure Production Services F.I.L.C.**, 22-06250; **Altra Infrastructure Production Services L.L.C.**, 22-06251; **Altra Infrastructure Production Services F.I.L.C.**, 22-06252; **Altra Infrastructure Production Services L.L.C.**, 22-06253; **Altra Infrastructure Production Services F.I.L.C.**, 22-06254; **Altra Infrastructure Production Services L.L.C.**, 22-06255; **Altra Infrastructure Production Services F.I.L.C.**, 22-06256; **Altra Infrastructure Production Services L.L.C.**, 22-06257; **Altra Infrastructure Production Services F.I.L.C.**, 22-06258; **Altra Infrastructure Production Services L.L.C.**, 22-06259; **Altra Infrastructure Production Services F.I.L.C.**, 22-06260; **Altra Infrastructure Production Services L.L.C.**, 22-06261; **Altra Infrastructure Production Services F.I.L.C.**, 22-06262; **Altra Infrastructure Production Services L.L.C.**, 22-06263; **Altra Infrastructure Production Services F.I.L.C.**, 22-06264; **Altra Infrastructure Production Services L.L.C.**, 22-06265; **Altra Infrastructure Production Services F.I.L.C.**, 22-06266; **Altra Infrastructure Production Services L.L.C.**, 22-06267; **Altra Infrastructure Production Services F.I.L.C.**, 22-06268; **Altra Infrastructure Production Services L.L.C.**, 22-06269; **Altra Infrastructure Production Services F.I.L.C.**, 22-06270; **Altra Infrastructure Production Services L.L.C.**, 22-06271; **Altra Infrastructure Production Services F.I.L.C.**, 22-06272; **Altra Infrastructure Production Services L.L.C.**, 22-06273; **Altra Infrastructure Production Services F.I.L.C.**, 22-06274; **Altra Infrastructure Production Services L.L.C.**, 22-06275; **Altra Infrastructure Production Services F.I.L.C.**, 22-06276; **Altra Infrastructure Production Services L.L.C.**, 22-06277; **Altra Infrastructure Production Services F.I.L.C.**, 22-06278; **Altra Infrastructure Production Services L.L.C.**, 22-06279; **Altra Infrastructure Production Services F.I.L.C.**, 22-06280; **Altra Infrastructure Production Services L.L.C.**, 22-06281; **Altra Infrastructure Production Services F.I.L.C.**, 22-06282; **Altra Infrastructure Production Services L.L.C.**, 22-06283; **Altra Infrastructure Production Services F.I.L.C.**, 22-06284; **Altra Infrastructure Production Services L.L.C.**, 22-06285; **Altra Infrastructure Production Services F.I.L.C.**, 22-06286; **Altra Infrastructure Production Services L.L.C.**, 22-06287; **Altra Infrastructure Production Services F.I.L.C.**, 22-06288; **Altra Infrastructure Production Services L.L.C.**, 22-06289; **Altra Infrastructure Production Services F.I.L.C.**, 22-06290; **Altra Infrastructure Production Services L.L.C.**, 22-06291; **Altra Infrastructure Production Services F.I.L.C.**, 22-06292; **Altra Infrastructure Production Services L.L.C.**, 22-06293; **Altra Infrastructure Production Services F.I.L.C.**, 22-06294; **Altra Infrastructure Production Services L.L.C.**, 22-06295; **Altra Infrastructure Production Services F.I.L.C.**, 22-06296; **Altra Infrastructure Production Services L.L.C.**, 22-06297; **Altra Infrastructure Production Services F.I.L.C.**, 22-06298; **Altra Infrastructure Production Services L.L.C.**, 22-06299; **Altra Infrastructure Production Services F.I.L.C.**, 22-06300; **Altra Infrastructure Production Services L.L.C.**, 22-06301; **Altra Infrastructure Production Services F.I.L.C.**, 22-06302; **Altra Infrastructure Production Services L.L.C.**, 22-06303; **Altra Infrastructure Production Services F.I.L.C.**, 22-06304; **Altra Infrastructure Production Services L.L.C.**, 22-06305; **Altra Infrastructure Production Services F.I.L.C.**, 22-06306; **Altra Infrastructure Production Services L.L.C.**, 22-06307; **Altra Infrastructure Production Services F.I.L.C.**, 22-06308; **Altra Infrastructure Production Services L.L.C.**, 22-06309; **Altra Infrastructure Production Services F.I.L.C.**, 22-06310; **Altra Infrastructure Production Services L.L.C.**, 22-06311; **Altra Infrastructure Production Services F.I.L.C.**, 22-06312; **Altra Infrastructure Production Services L.L.C.**, 22-06313; **Altra Infrastructure Production Services F.I.L.C.**, 22-06314; **Altra Infrastructure Production Services L.L.C.**, 22-06315; **Altra Infrastructure Production Services F.I.L.C.**, 22-06316; **Altra Infrastructure Production Services L.L.C.**, 22-06317; **Altra Infrastructure Production Services F.I.L.C.**, 22-06318; **Altra Infrastructure Production Services L.L.C.**, 22-06319; **Altra Infrastructure Production Services F.I.L.C.**, 22-06320; **Altra Infrastructure Production Services L.L.C.**, 22-06321; **Altra Infrastructure Production Services F.I.L.C.**, 22-06322; **Altra Infrastructure Production Services L.L.C.**, 22-06323; **Altra Infrastructure Production Services F.I.L.C.**, 22-06324; **Altra Infrastructure Production Services L.L.C.**, 22-06325; **Altra Infrastructure Production Services F.I.L.C.**, 22-06326; **Altra Infrastructure Production Services L.L.C.**, 22-06327; **Altra Infrastructure Production Services F.I.L.C.**, 22-06328; **Altra Infrastructure Production Services L.L.C.**, 22-06329; **Altra Infrastructure Production Services F.I.L.C.**, 22-06330; **Altra Infrastructure Production Services L.L.C.**, 22-06331; **Altra Infrastructure Production Services F.I.L.C.**, 22-06332; **Altra Infrastructure Production Services L.L.C.**, 22-06333; **Altra Infrastructure Production Services F.I.L.C.**, 22-06334; **Altra Infrastructure Production Services L.L.C.**, 22-06335; **Altra Infrastructure Production Services F.I.L.C.**, 22-06336; **Altra Infrastructure Production Services L.L.C.**, 22-06337; **Altra Infrastructure Production Services F.I.L.C.**, 22-06338; **Altra Infrastructure Production Services L.L.C.**, 22-06339; **Altra Infrastructure Production Services F.I.L.C.**, 22-06340; **Altra Infrastructure Production Services L.L.C.**, 22-06341; **Altra Infrastructure Production Services F.I.L.C.**, 22-06342; **Altra Infrastructure Production Services L.L.C.**, 22-06343; **Altra Infrastructure Production Services F.I.L.C.**, 22-06344; **Altra Infrastructure Production Services L.L.C.**, 22-06345; **Altra Infrastructure Production Services F.I.L.C.**, 22-06346; **Altra Infrastructure Production Services L.L.C.**, 22-06347; **Altra Infrastructure Production Services F.I.L.C.**, 22-06348; **Altra Infrastructure Production Services L.L.C.**, 22-06349; **Altra Infrastructure Production Services F.I.L.C.**, 22-06350; **Altra Infrastructure Production Services L.L.C.**, 22-06351; **Altra Infrastructure Production Services F.I.L.C.**, 22-06352; **Altra Infrastructure Production Services L.L.C.**, 22-06353; **Altra Infrastructure Production Services F.I.L.C.**, 22-06354; **Altra Infrastructure Production Services L.L.C.**, 22-06355; **Altra Infrastructure Production Services F.I.L.C.**, 22-06356; **Altra Infrastructure Production Services L.L.C.**, 22-06357; **Altra Infrastructure Production Services F.I.L.C.**, 22-06358; **Altra Infrastructure Production Services L.L.C.**, 22-06359; **Altra Infrastructure Production Services F.I.L.C.**, 22-06360; **Altra Infrastructure Production Services L.L.C.**, 22-06361; **Altra Infrastructure Production Services F.I.L.C.**, 22-06362; **Altra Infrastructure Production Services L.L.C.**, 22-06363; **Altra Infrastructure Production Services F.I.L.C.**, 22-06364; **Altra Infrastructure Production Services L.L.C.**, 22-06365; **Altra Infrastructure Production Services F.I.L.C.**, 22-06366; **Altra Infrastructure Production Services L.L.C.**, 22-06367; **Altra Infrastructure Production Services F.I.L.C.**, 22-06368; **Altra Infrastructure Production Services L.L.C.**, 22-06369; **Altra Infrastructure Production Services F.I.L.C.**, 22-06370; **Altra Infrastructure Production Services L.L.C.**, 22-06371; **Altra Infrastructure Production Services F.I.L.C.**, 22-06372; **Altra Infrastructure Production Services L.L.C.**, 22-06373; **Altra Infrastructure Production Services F.I.L.C.**, 22-06374; **Altra Infrastructure Production Services L.L.C.**, 22-06375; **Altra Infrastructure Production Services F.I.L.C.**, 22-06376; **Altra Infrastructure Production Services L.L.C.**, 22-06377; **Altra Infrastructure Production Services F.I.L.C.**, 22-06378; **Altra Infrastructure Production Services L.L.C.**, 22-06379; **Altra Infrastructure Production Services F.I.L.C.**, 22-06380; **Altra Infrastructure Production Services L.L.C.**, 22-06381; **Altra Infrastructure Production Services F.I.L.C.**, 22-06382; **Altra Infrastructure Production Services L.L.C.**, 22-06383; **Altra Infrastructure Production Services F.I.L.C.**, 22-06384; **Altra Infrastructure Production Services L.L.C.**, 22-06385; **Altra Infrastructure Production Services F.I.L.C.**, 22-06386; **Altra Infrastructure Production Services L.L.C.**, 22-06387; **Altra Infrastructure Production Services F.I.L.C.**, 22-06388; **Altra Infrastructure Production Services L.L.C.**, 22-06389; **Altra Infrastructure Production Services F.I.L.C.**, 22-06390; **Altra Infrastructure Production Services L.L.C.**, 22-06391; **Altra Infrastructure Production Services F.I.L.C.**, 22-06392; **Altra Infrastructure Production Services L.L.C.**, 22-06393; **Altra Infrastructure Production Services F.I.L.C.**, 22-06394; **Altra Infrastructure Production Services L.L.C.**, 22-06395; **Altra Infrastructure Production Services F.I.L.C.**, 22-06396; **Altra Infrastructure Production Services L.L.C.**, 22-06397; **Altra Infrastructure Production Services F.I.L.C.**, 22-06398; **Altra Infrastructure Production Services L.L.C.**, 22-06399; **Altra Infrastructure Production Services F.I.L.C.**, 22-06400; **Altra Infrastructure Production Services L.L.C.**, 22-06401; **Altra Infrastructure Production Services F.I.L.C.**, 22-06402; **Altra Infrastructure Production Services L.L.C.**, 22-06403; **Altra Infrastructure Production Services F.I.L.C.**, 22-06404; **Altra Infrastructure Production Services L.L.C.**, 22-06405; **Altra Infrastructure Production Services F.I.L.C.**, 22-06406; **Altra Infrastructure Production Services L.L.C.**, 22-06407; **Altra Infrastructure Production Services F.I.L.C.**, 22-06408; **Altra Infrastructure Production Services L.L.C.**, 22-06409; **Altra Infrastructure Production Services F.I.L.C.**, 22-06410; **Altra Infrastructure Production Services L.L.C.**, 22-06411; **Altra Infrastructure Production Services F.I.L.C.**, 22-06412; **Altra Infrastructure Production Services L.L.C.**, 22-06413; **Altra Infrastructure Production Services F.I.L.C.**, 22-06414; **Altra Infrastructure Production Services L.L.C.**, 22-06415; **Altra Infrastructure Production Services F.I.L.C.**, 22-06416; **Altra Infrastructure Production Services L.L.C.**, 22-06417; **Altra Infrastructure Production Services F.I.L.C.**, 22-06418; **Altra Infrastructure Production Services L.L.C.**, 22-06419; **Altra Infrastructure Production Services F.I.L.C.**, 22-06420; **Altra Infrastructure Production Services L.L.C.**, 22-06421; **Altra Infrastructure Production Services F.I.L.C.**, 22-06422; **Altra Infrastructure Production Services L.L.C.**, 22-06423; **Altra Infrastructure Production Services F.I.L.C.**, 22-06424; **Altra Infrastructure Production Services L.L.C.**, 22-06425; **Altra Infrastructure Production Services F.I.L.C.**, 22-06426; **Altra Infrastructure Production Services L.L.C.**, 22-06427; **Altra Infrastructure Production Services F.I.L.C.**, 22-06428; **Altra Infrastructure Production Services L.L.C.**, 22-06429; **Altra Infrastructure Production Services F.I.L.C.**, 22-06430; **Altra Infrastructure Production Services L.L.C.**, 22-06431; **Altra Infrastructure Production Services F.I.L.C.**, 22-06432; **Altra Infrastructure Production Services L.L.C.**, 22-06433; **Altra Infrastructure Production Services F.I.L.C.**, 22-06434; **Altra Infrastructure Production Services L.L.C.**, 22-06435; **Altra Infrastructure Production Services F.I.L.C.**, 22-06436; **Altra Infrastructure Production Services L.L.C.**, 22-06437; **Altra Infrastructure Production Services F.I.L.C.**, 22-06438; **Altra Infrastructure Production Services L.L.C.**, 22-06439; **Altra Infrastructure Production Services F.I.L.C.**, 22-06440; **Altra Infrastructure Production Services L.L.C.**, 22-06441; **Altra Infrastructure Production Services F.I.L.C.**, 22-06442; **Altra Infrastructure Production Services L.L.C.**, 22-06443; **Altra Infrastructure Production Services F.I.L.C.**, 22-06444; **Altra Infrastructure Production Services L.L.C.**, 22-06445; **Altra Infrastructure Production Services F.I.L.C.**, 22-06446; **Altra Infrastructure Production Services L.L.C.**, 22-06447; **Altra Infrastructure Production Services F.I.L.C.**, 22-06448; **Altra Infrastructure Production Services L.L.C.**, 22-06449; **Altra Infrastructure Production Services F.I.L.C.**, 22-06450; **Altra Infrastructure Production Services L.L.C.**, 22-06451; **Altra Infrastructure Production Services F.I.L.C.**, 22-06452; **Altra Infrastructure Production Services L.L.C.**, 22-06453; **Altra Infrastructure Production Services F.I.L.C.**, 22-06454; **Altra Infrastructure Production Services L.L.C.**, 22-06455; **Altra Infrastructure Production Services F.I.L.C.**, 22-06456; **Altra Infrastructure Production Services L.L.C.**, 22-06457; **Altra Infrastructure Production Services F.I.L.C.**, 22-06458; **Altra Infrastructure Production Services L.L.C.**, 22-06459; **Altra Infrastructure Production Services F.I.L.C.**, 22-06460; **Altra Infrastructure Production Services L.L.C.**, 22-06461; **Altra Infrastructure Production Services F.I.L.C.**, 22-06462; **Altra Infrastructure Production Services L.L.C.**, 22-06463; **Altra Infrastructure Production Services F.I.L.C.**, 22-06464; **Altra Infrastructure Production Services L.L.C.**, 22-06465; **Altra Infrastructure Production Services F.I.L.C.**, 22-06466; **Altra Infrastructure Production Services L.L.C.**, 22-06467; **Altra Infrastructure Production Services F.I.L.C.**, 22-06468; **Altra Infrastructure Production Services L.L.C.**, 22-06469; **Altra Infrastructure Production Services F.I.L.C.**, 22-06470; **Altra Infrastructure Production Services L.L.C.**, 22-06471; **Altra Infrastructure Production Services F.I.L.C.**, 22-06472; **Altra Infrastructure Production Services L.L.C.**, 22-06473; **Altra Infrastructure Production Services F.I.L.C.**, 22-06474; **Altra Infrastructure Production Services L.L.C.**, 22-06475; **Altra Infrastructure Production Services F.I.L.C.**, 22-06476; **Altra Infrastructure Production Services L.L.C.**, 22-06477; **Altra Infrastructure Production Services F.I.L.C.**, 22-06478; **Altra Infrastructure Production Services L.L.C.**, 22-06479; **Altra Infrastructure Production Services F.I.L.C.**, 22-06480; **Altra Infrastructure Production Services L.L.C.**, 22-06481; **Altra Infrastructure Production Services F.I.L.C.**, 22-06482; **Altra Infrastructure Production Services L.L.C.**, 22-06483; **Altra Infrastructure Production Services F.I.L.C.**, 22-06484; **Altra Infrastructure Production Services L.L.C.**, 22-06485; **Altra Infrastructure Production Services F.I.L.C.**, 22-06486; **Altra Infrastructure Production Services L.L.C.**, 22-06487; **Altra Infrastructure Production Services F.I.L.C.**, 22-06488; **Altra Infrastructure Production Services L.L.C.**, 22-06489; **Altra Infrastructure Production Services F.I.L.C.**, 22-06490; **Altra Infrastructure Production Services L.L.C.**, 22-06491; **Altra Infrastructure Production Services F.I.L.C.**, 22-06492; **Altra Infrastructure Production Services L.L.C.**, 22-06493; **Altra Infrastructure Production Services F.I.L.C.**, 22-06494; **Altra Infrastructure Production Services L.L.C.**, 22-06495; **Altra Infrastructure Production Services F.I.L.C.**, 22-06496; **Altra Infrastructure Production Services L.L.C.**, 22-06497; **Altra Infrastructure Production Services F.I.L.C.**, 22-06498; **Altra Infrastructure Production Services L.L.C.**, 22-06499; **Altra Infrastructure Production Services F.I.L.C.**, 22-06500; **Altra Infrastructure Production Services L.L.C.**, 22-06501; **Altra Infrastructure Production Services F.I.L.C.**, 22-06502; **Altra Infrastructure Production Services L.L.C.**, 22-06503; **Altra Infrastructure Production Services F.I.L.C.**, 22-06504; **Altra Infrastructure Production Services L.L.C.**, 22-06505; **Altra Infrastructure Production Services F.I.L.C.**, 22-06506; **Altra Infrastructure Production Services L.L.C.**, 22-06507; **Altra Infrastructure Production Services F.I.L.C.**, 22-06508; **Altra Infrastructure Production Services L.L.C.**, 22-06509; **Altra Infrastructure Production Services F.I.L.C.**, 22-06510; **Altra Infrastructure Production Services L.L.C.**, 22-06511; **Altra Infrastructure Production Services F.I.L.C.**, 22-06512; **Altra Infrastructure Production Services L.L.C.**, 22-06513; **Altra Infrastructure Production Services F.I.L.C.**, 22-06514; **Altra Infrastructure Production Services L.L.C.**, 22-06515; **Altra Infrastructure Production Services F.I.L.C.**, 22-06516; **Altra Infrastructure Production Services L.L.C.**, 22-06517; **Altra Infrastructure Production Services F.I.L.C.**, 22-06518; **Altra Infrastructure Production Services L.L.C.**, 22-06519; **Altra Infrastructure Production Services F.I.L.C.**, 22-06520; **Altra Infrastructure Production Services L.L.C.**, 22-06521; **Altra Infrastructure Production Services F.I.L.C.**, 22-06522; **Altra Infrastructure Production Services L.L.C.**, 22-06523; **Altra Infrastructure Production Services F.I.L.C.**, 22-06524; **Altra Infrastructure Production Services L.L.C.**, 22-06525; **Altra Infrastructure Production Services F.I.L.C.**, 22-06526; **Altra Infrastructure Production Services L.L.C.**, 22-06527; **Altra Infrastructure Production Services F.I.L.C.**, 22-06528; **Altra Infrastructure Production Services L.L.C.**, 22-06529; **Altra Infrastructure Production Services F.I.L.C.**, 22-06530; **Altra Infrastructure Production Services L.L.C.**, 22-06531; **Altra Infrastructure Production Services F.I.L.C.**, 22-06532; **Altra Infrastructure Production Services L.L.C.**, 22-06533; **Altra Infrastructure Production Services F.I.L.C.**, 22-06534; **Altra Infrastructure Production Services L.L.C.**, 22-06535; **Altra Infrastructure Production Services F.I.L.C.**, 22-06536; **Altra Infrastructure Production Services L.L.C.**, 22-06537; **Altra Infrastructure Production Services F.I.L.C.**, 22-06538; **Altra Infrastructure Production Services L.L.C.**, 22-06539; **Altra Infrastructure Production Services F.I.L.C.**, 22-06540; **Altra Infrastructure Production Services L.L.C.**, 22-06541; **Altra Infrastructure Production Services F.I.L.C.**, 22-06542; **Altra Infrastructure Production Services L.L.C.**, 22-06543; **Altra Infrastructure Production Services F.I.L.C.**, 22-06544; **Altra Infrastructure Production Services L.L.C.**, 22-06545; **Altra Infrastructure Production Services F.I.L.C.**, 22-06546; **Altra Infrastructure Production Services L.L.C.**, 22-06547; **Altra Infrastructure Production Services F.I.L.C.**, 22-06548; **Altra Infrastructure Production Services L.L.C.**, 22-06549; **Altra Infrastructure Production Services F.I.L.C.**, 22-06550; **Altra Infrastructure Production Services L.L.C.**, 22-06551; **Altra Infrastructure Production Services F.I.L.C.**, 22-06552; **Altra Infrastructure Production Services L.L.C.**, 22-06553; **Altra Infrastructure Production Services F.I.L.C.**, 22-0655



Mind the Gap: the US retailer put an extra 50% discount on its sale items to shed stock — Jay Warner

Stitch in time US clothing retailers clear their shelves

US apparel retailers are preparing steep markdowns to clear shelves ahead of the critical holiday season, as inflation leads consumers to ease discretionary spending and wait for deals.

Clothing stores are battling a glut of inventory and a split in spending habits, as lower-income shoppers put necessities first while affluent consumers replace pandemic leisurewear with tailored office outfits and wardrobes for going out. "I hesitate to call it a bloodbath, but it's going to be ugly in terms of the amount of discounting and markdowns," said Urban Outfitters chief executive Richard Hayne on the company's earnings call last month. Retailers are faced with too much product "across the board", he warned.

Retail sales for clothing and accessory stores have remained largely flat for the past year, according to Census Bureau data. That is even though apparel prices were up 5.1 per cent year on year in August, according to US Bureau of Labor Statistics data. But inflation is beginning to dent demand, with 85 per cent of American adults saying rising prices have changed the way they shop, pushing consumers to hunt for deals, discounts and coupons or simply to shop less, a new report from polling group Morning Consult showed.

That is putting retailers in a tough position. Many have more inventory than they need after supply-chain snarls caused goods ordered for last year's holidays to arrive late. Many moved up orders this year ahead of their busiest selling season. "There is

too much inventory out there even if you adjust for retailers [that have] received goods earlier than normal," said UBS retailing analyst Jay Sole.

Numerous retailers reported surging inventories for the second quarter: Foot Locker, Kohl's and Gap reported inventories up 52 per cent, 48 per cent and 37 per cent respectively. "Retail historically has discounted when inventory was slow," said Simeon Siegel, managing director of equity research at BMO Capital Markets. "But retail has not had a historical version of 2020, 2021 and 2022."

Some retailers are choosing to carry more stock after being left short last year. Lululemon's inventory was up 85 per cent year on year, but comparable sales were up 23 per cent. Others are having to discount aggressively.

Abercrombie brand Hollister recently ran a website promotion for jeans at \$20 a pair. Gap included an extra 50 per cent off items on sale. American Eagle cleared excess spring and summer merchandise by resorting to sales that hit profits by \$30m. "This is clearly an unprecedented time in retail," said chief executive Jay Schottenstein on its latest earnings call.

A stark divide is emerging between discount and luxury brands as the holiday season — which stretches from Halloween to New Year — approaches. Low-income shoppers are struggling with inflation, said Burlington Stores chief executive Michael O'Sullivan. "The current level of promotional activity will not last for ever. But while it does, it will create a very significant headwind for us," he said.

Urban Outfitters, which also counts higher-end Anthropologie and Free People among its brands, said customer behaviour at its brands has split, with "affluence being the differentiator". Younger, lower-income customers were spending "much more cautiously on discretionary items and often waiting for promotions before buying", Hayne said. "That bifurcation is evident as 'luxury, in general, is doing really well", said Jessica Ramirez, senior research analyst at Jane Hall & Associates. Lower-end brands will see more of a "setback in consumer shopping", she said.

This year's inventory challenges already look likely to affect next year's results as retailers including Gap, Kohl's and Land's End turn to "pack and hold" strategies — banking on basic styles such as T-shirts that can be brought back out and sold at later dates. Apparel stocks have underperformed the wider market. So far this year shares of American Eagle are down about 57 per cent, Abercrombie is down almost 56 per cent, Gap is down over 48 per cent and Urban Outfitters is down over 26 per cent. The S&P 500 is down almost 19 per cent so far in 2022.

This would be a tough year as retailers tried to align inventory with sales growth, UBS's Sole said. "Retailers will try to use the rest of 2022 to put themselves in position for a more normal 2023," Lydia Tomkiw in New York

from its goal of self-sufficiency in semiconductor. It is also a major concern for young jobseekers such as Jiang as they discover the once-hot job market in chips is cooling.

The topic entitled "The pessimistic situation of recruitment in the IC [integrated circuit] industry" has received more than 1m views on Zhihu, a Chinese question-and-answer website.

"We only plan to recruit half of the number we did last year, but we have received more CVs this time," said one human resources executive, who asked to remain anonymous, at a prominent chip company based in Shanghai.

China's semiconductor sector has suffered from both the deteriorating macro environment and a redirection of funding. "Investment strategy has changed as market demand weakened, particularly for those focusing on consumer markets," said Ethan Qi, a senior analyst at research company Counterpoint.

Start-ups have been particularly hard hit and are cutting costs. So far this year, more than 3,400 Chinese chip-related companies have collapsed, already surpassing the total in 2021, according to business data provider Qichacha.

"It makes it more difficult for them to hire extra people if they have to streamline," said Szzen Ng, managing director at financial company China Renaissance, which has been banking on basic styles such as T-shirts that can be brought back out and sold at later dates.

Apparel stocks have underperformed the wider market. So far this year shares of American Eagle are down about 57 per cent, Abercrombie is down almost 56 per cent, Gap is down over 48 per cent and Urban Outfitters is down over 26 per cent. The S&P 500 is down almost 19 per cent so far in 2022. This would be a tough year as retailers tried to align inventory with sales growth, UBS's Sole said. "Retailers will try to use the rest of 2022 to put themselves in position for a more normal 2023," Lydia Tomkiw in New York

said Jerry Wu, a veteran chip design engineer who has received hundreds of queries about careers in the chip sector from his WeChat blog. "It is becoming increasingly difficult to change careers through months of crash courses now."

At the other end of the scale, industry veterans are still highly prized but hard to attract. One semiconductor-focused headhunter in Shanghai said companies remained keen on experienced chip experts with overseas backgrounds, but few suitable candidates were willing to relocate to China because of increased geopolitical tensions and the strictures of the zero-Covid policy.

Large, well-funded, state-owned enterprises remain in the best position to expand and are even scaling up campus recruitment this year. Such moves are in step with President Xi Jinping's recent call for a focus on leading-edge technologies.

The state-owned enterprises are also benefiting from improved training courses and more suitable applicants after the expansion of semiconductor-focused schools and departments in China's universities. One talent acquisition manager from a top state-owned chipmaker said it was busy hiring more engineers for new manufacturing lines and factories. "I am glad that the overall quality of candidates this year has improved a lot," the manager said.



China's chip factories have struggled with recruitment — Zhao Qian/CC via Getty Images

Apparel retailers have underperformed the broader market in 2022



Financials

Colony founder's lobbying trial to shine a light on Trump era of freewheeling diplomacy

MARK VANDELDE — NEW YORK

Tom Barrack, the real estate investor and early financial backer of Donald Trump's 2016 presidential run, has been criticised by prosecutors for making big consultancy payments to a former colleague who could be called to testify in his trial on charges of illegal lobbying.

Jury selection in the trial was set to begin yesterday. Prosecutors will argue that Barrack broke the law by seeking to influence Trump's foreign policy on behalf of the United Arab Emirates.

The case opens a window on a free-wheeling period of US diplomacy under a president who disdained traditional alliances and sought to craft a more transactional foreign policy. Eschewing the advice of career state department

officials, Trump often consulted instead with a trusted circle of executives from the worlds of finance and real estate.

Prosecutors have said they may seek testimony from people who have worked for Colony Capital, the investment firm founded by Barrack, who have knowledge of his interactions with the Trump White House.

In court filings this month, prosecutors complained about Barrack's decision to pay \$15,000 a month to one of those potential witnesses, his former executive assistant Alison Markstadt, while she was serving in a consultancy role on his legal defence team. Prosecutors have said that Markstadt has no legal training and that her hiring "creates an appearance of impropriety".

Markstadt's lawyers did not respond to a request for comment.

Barrack's lawyers have stated in a court filing that Markstadt was chosen "because of her long history and experience... of working with Mr Barrack on administrative matters", and that they did not know she might be a witness.

The government claims Barrack repeatedly sought to sway US policy at the behest of the UAE without first registering as a foreign agent, as federal law requires. He is also accused of lying about his activities to the FBI. Barrack denies the charges.

In one 2017 episode that prosecutors have cited against Barrack, the US investor allegedly tried to help the UAE win support for a regional embargo on its gas-rich neighbour, Qatar. In another, prosecutors say he sought to persuade US officials to list the Muslim Brotherhood as a terrorist organisation.

"This will be a huge win [if] we can list them," Rashid Al-Malik, an Emirati who has also been charged in the case, wrote in a message to one of Barrack's colleagues that was cited by prosecutors. The authorities say Al-Malik served as Barrack's handler while living in Los



Colony Capital founder Tom Barrack faces charges of illegal lobbying on behalf of the UAE

Angeles on a student visa. He left the country shortly after an interview with FBI agents in 2018 and has not returned. Barrack was an influential figure in the Trump White House, even though discussions about serving in roles such

as US ambassador to the UAE did not result in an official appointment.

He has known Trump since the 1980s, when he persuaded the future president to pay \$400m to buy New York's Plaza hotel. Barrack spoke in support of his friend's candidacy — then seen as a long shot — at the Republican National Convention in 2016. He also served as chair of Trump's inauguration committee and provided informal advice.

The dual roles as unofficial presidential counsellor and executive chair of Colony may have provided Barrack with opportunities to profit from investments in the Middle East at the same time as nudging the course of US policy towards the region, according to a report by congressional investigators and documents in the criminal case. US authorities say that, at the same

time as he was acting at the direction of the UAE, Barrack secured \$374m of capital commitments from the country's sovereign wealth funds.

Barrack left Colony last year, receiving benefits including vesting of equity awards and a cash payment of \$21.4m. Shares in the New York Stock Exchange-listed company have fallen nearly 70 per cent in the past five years.

Prosecutors have not accused Colony of any wrongdoing, and the company has sought to move on from Barrack's tenure, renaming itself Digital Bridge.

The former Colony chief is standing trial alongside Matthew Grimes, a 28-year-old former executive at the firm who worked for Barrack as an analyst and was quickly promoted to vice-president. Grimes denies acting as an unregistered agent of a foreign government.

COMPANIES & MARKETS

Fund managers pitch 'alts' to retail investors

Wealthy individuals are being targeted as a new market for asset classes such as credit, private equity and real estate

HADISON DARBYSHIRE — NEW YORK

A saturated market for institutional clients is pushing asset managers to pursue another business: selling so-called alternative investments to rich individual investors.

Alternatives stray outside mainstream portfolios of stocks and bonds into such asset classes as credit, private equity and real estate. Harder to trade and often walled off by accreditation requirements, they have historically been the domain of large investors such as pension funds and endowments.

Institutions typically invest 50-50 per cent of their assets in alternatives, according to a McKinsey study. The average retail investor had just 2 per cent in alternatives, the same study added.

McKinsey projected that the retail share has potential to more than double to 5 per cent in the next three years, an increase the consultancy estimates could add between \$500bn and \$1.3tn in new capital to alternatives.

Asset managers are turning to rich investors for new business as institutions hit self-imposed limits on allocations to alternatives, also known as "alts" in the industry. They are reaching



founder and chief executive of CAIS, a marketplace for alternative investments. "Traditional" asset allocations for individuals, such as 60 per cent in stocks and 40 per cent in fixed income, now feel outdated in a world where most institutions have up to half their capital in alternatives, he said.

"Any wealth adviser not using alternatives in the next few years will be at risk of not having a practice," Brown said.

Fintech platforms such as Moonfare and iCapital have moved in recent years to open up private markets. Like most retail-focused alternative investment products, Moonfare is only available to accredited investors, usually people with enough sophistication and money to stomach big losses, or who work in finance. Investment minimums on these platforms are still about \$75,000.

Managers said the products are not yet ready to be taken to less wealthy investors who need to be able to buy and sell investments more easily. Products currently offered by firms such as Apollo Global Management and Blackstone offer monthly or quarterly options for redemptions.

For asset managers, wealthy retail investors are a key source of new money for firms as institutional dollars dry up.

them via wealth management, a business which combines asset management with financial planning and advice and is expected to swell from \$137bn in assets in 2021 to almost \$230bn by 2030, according to Bain, the consultancy.

"The bottom line is if you think about the size of the market, high net worth is as big as institutional wealth. These are massive markets that have been largely untapped," said Joan Solotar, head of private wealth solutions at Blackstone, the alternative asset management group.

Until recently, just a handful of institutional products have been available to retail investors, such as Blackstone's flagship Real Estate Investment Trust, an unlisted fund known as Breit, and its private credit fund, Bcred.



Full steam ahead: retail investors have the potential to add \$1.3tn to alternative investments by 2025, according to McKinsey

But offerings designed for retail investors are set to multiply. "At least 15 to 20 new products with different strategies, from all different large managers, will hit the market in the next nine months. It's a huge change," said Steffen Pauls, founder of retail-focused private equity investment platform Moonfare.

Earlier this month, the \$1tn Canadian alternatives manager Sun Life Financial announced the acquisition of Advisors Asset Management, a US-based retail distribution company that works with

investment managers. The takeover was the final piece of an almost decade-long effort by Sun Life to bring its alternative products to retail clients.

"It's a race to get a position in that market," Sun Life president Steve Peacher said. Mergers in the space have been frenetic, he added. "If you're not credibly and actively getting into [alternatives for retail] in the next 18-24 months, it will be too late."

KKR, a private equity pioneer that has expanded into other alternatives, has \$6bn from wealth management clients

in its so-called democratised products. The New York-based group said it was earmarking 30-50 per cent of newly raised capital to come from the wealthy.

Asset managers said their efforts to bring new alternative products to market were a response in part to demand from wealth managers who are desperate to shield clients from large bear market swings and rising interest rates.

"There is a tremendous transfer of capital under way out of the traditional wealth management industry into alternative investments," said Matt Brown,

"If you look at the last 12 years, retail has been incredibly sticky, one-way flows," said Michael Patterson, a partner at alternatives manager HPS Investment Partners, which specialises in credit.

But their desire for alternative investments could fade if they fail to perform in wobbly markets. In the choppy second quarter of 2022, money was withdrawn from Blackstone retail products such as Breit in unexpected volumes, showing that retail investors are not immune to "volatile markets", the asset manager said.

Investors sold out of almost \$2.6bn in shares of Breit, more than triple the \$700mn in redemptions from the previous quarter.

"We haven't really seen the other side of it yet," Patterson said.

Oil & gas

Origin Energy quits Australian fracking project

NIC FIELDS — SYDNEY

One of Australia's largest energy companies has pulled out of a big fracking project in the Northern Territory at a substantial loss, after facing widespread criticism of the venture from environmental campaigners.

Origin Energy said it would book a loss of up to A\$90mn (\$60.4mn) after agreeing to sell its majority stake in the Beetaloo Basin shale gas project for A\$60mn.

The disposal also cuts its ties with the sanctioned Russian oligarch Viktor Vekselberg, who is a shareholder in UK-listed Falcon Oil & Gas, a minority partner in the fracking project.

The Beetaloo Basin project, an expanse twice the size of the island of Tasmania, was earmarked as a landmark venture in 2018 that would help transform the Northern Territory into one of the world's largest shale gas producers.

The move was championed by the Australian government, then led by Scott Morrison, as a solution to a gas shortage in the country and later as an

economic spur for a "gas-fired recovery" from the pandemic.

Australia is the largest exporter of liquefied natural gas in the world, and the energy crisis in Europe, triggered by Russia's invasion of Ukraine, has increased demand for the country's resources. Woodside, one of the country's largest oil and gas producers, signed a deal to supply Germany's Uniper with LNG this month.

But it has not fed through to shale gas exploration, with Origin under pressure to exit the Beetaloo project from environmental campaigners and indigenous groups, who argue they were not adequately consulted about the project.

Origin has sold its 77.5 per cent stake to a venture between Australian-listed Tamboran Resources, which operates in the Beetaloo Basin, and Bryan Sheffield, a Texan billionaire who has sold US shale assets. Sheffield is also a shareholder in Tamboran and Falcon Oil & Gas.

Origin has also put most of its other exploration assets up for sale as part of a review of its business.

Frank Calabria, chief executive of Origin, said gas projects can be "uncertain" and "capital intensive to bring projects into production", so the company has opted to focus its resources on its core energy business.

Origin, which has been exploring Beetaloo alongside Falcon for eight years, will maintain a toehold in the project via a royalty agreement with the buyer and a gas offtake agreement once the field is developed.

"We believe gas will continue to play an important role in the energy mix and it remains a core part of our business," said Calabria.

The decision to sell, rather than wind down the project, was criticised by shareholder activists, who have lobbied Origin and its rivals to exit fossil fuels.

Harriet Kater, head of climate at the Australasian Centre for Corporate Responsibility, said: "This is just more greenwashing. Divestment is not a solution to reducing real-world emissions. Divestment is simply passing the hot potato to the next asset holder."

Property

China Vanke unit gears up for HK flotation

HUDSON LOCKETT — HONG KONG

China Vanke plans to raise up to \$784mn in Hong Kong from the spin-off of its property management unit, which is set to test global investor appetite for real estate-related listings after a string of high-profile defaults in the sector this year.

Onewo, a subsidiary of Vanke, said it would raise up to HK\$6.2bn (\$784mn) from an initial public offering of about 117mn shares priced at a range of HK\$47.10 to HK\$52.70 each, according to a filing with the Hong Kong exchange.

The decision to list Onewo comes as Chinese authorities step up measures to support the country's property sector, which accounts for about a third of total economic output, as growth in the world's second-largest economy slows.

Demand for housing in China has crumbled after a series of defaults by developers stoked a crisis of confidence among homebuyers. Last week, state banks cut deposit rates for the first time since 2015 in a bid to boost flagging growth.

The share offer marks the largest IPO from a company in Hong Kong this year,

with only a few listings having brought in more than \$1bn. Secondary listings by Tianqi Lithium and China Tourism Group Duty Free — both of which were already listed on mainland exchanges — raised \$1.7bn and \$2.1bn respectively.

Onewo managed about 785mn sq m of residential and commercial space as of the end of 2021, and brought in annual profits of Rmb1.7bn (\$245mn), up about 13 per cent on year. Vanke owns about 63 per cent of the company and accounted for about 16 per cent of revenues at Onewo last year.

Brokers said Vanke was also under pressure to go ahead with the share sale



Onewo plans to raise up to \$784mn in the bourse's biggest IPO of 2022

or it would be forced to update Onewo's prospectus since its application to the Hong Kong exchange was near the six-month limit. "They cannot change the listing timing, otherwise they'll have to use a new set of accounting data, which would take time and money," said Louis Tse, managing director of Wealthy Securities in Hong Kong.

"They want to realise whatever money they can still get from the market," Tse said. "If there's a sponsor willing to do the deal plus a bunch of underwriters, they might as well go now."

Onewo has substantial support from six cornerstone investors, among them China's government-controlled Mixed Ownership Reform Fund, which together have subscribed for up to \$280mn worth of shares.

The move to pursue the listing came as economists at UBS downgraded the forecast for China's economic growth yesterday, citing a "lacklustre third-quarter recovery and ongoing property downturn".

Onewo expects to price its shares on Thursday and list them on September 29. Citic Securities, Citigroup and Goldman Sachs are joint sponsors.

MADE IN ITALY SUMMIT
Driving Innovation, Sustainability and Resilience
4 - 6 October 2022
The Made in Italy Summit, now in its third year, will gather leading government figures and senior executives representing Italian excellence to debate the future shape of the economy and export sector.
Keynote speakers include:
Carlo Bonomi, President Confindustria
Claudia Parzani, Partner Linklaters, President Borsa Italiana
Stefano Scarpetta, Director for Employment Labour and Social Affairs OECD

COMPANIES & MARKETS

Asset management. Bearish sentiment

Hedge funds gamble against long-only investment rivals



Crypto

UK watchdog warns against dealing with exchange FTX

JOSHUA OLIVER — LONDON

The UK's financial regulator has warned consumers against dealing with FTX, the cryptocurrency exchange run by billionaire Sam Bankman-Fried, in the latest clash between British authorities and offshore digital asset companies.

The Financial Conduct Authority said the Bahamas-based exchange appeared to be offering products and services in the UK without its authorisation, according to a statement on the regulator's website. "This firm is not authorised by us and is targeting people in the UK," the statement said.

The move against FTX, one of the



Citadel is among those taking short positions in traditional firms as asset prices weaken

LAURENCE FLETCHER AND JOSHUA OLIVER — LONDON

Hedge funds are betting that a sharp fall this year in shares of leading UK asset management companies will accelerate as a brutal bear market dents their investment performance and ability to attract new business.

Ken Griffin's Citadel, Steve Cohen's Point72 and Marshall Wace are among those running bets on lower share prices for listed so-called long-only firms, whose bias towards rising asset prices puts them at more acute risk from the turmoil so far in 2022 in equities and bond markets.

Hedge funds are betting that a sharp fall this year in shares of leading UK asset management companies will accelerate as a brutal bear market dents their investment performance and ability to attract new business.

Fund firms whose products are largely geared to rising rather than fall...

Long-only asset managers slide

% change in share price over past two years



ing asset prices are already feeling the pain. Last month Abrdn, whose shares are down 40 per cent this year, posted a first-half loss of £320mn, while in July Ashmore, down 23 per cent this year, reported a \$14.3bn fall in assets.

Citadel, Wellington Management Company, Eleva Capital and JPMorgan Asset Management are also running bets against Ashmore, according to data group Breakout Point and regulatory filings.

Citadel, Wellington Management Company, Eleva Capital and JPMorgan Asset Management are also running bets against Ashmore, according to data group Breakout Point and regulatory filings.

Short interest in Abridn, meanwhile, has risen from 1.7 per cent at the start of the year to 7.1 per cent, close to its highest level this year, according to S&P Global Market Intelligence.

Hargreaves Lansdown has reported a fall in profits and new business flows while warning of 'a tough time' in coming months.

Lansdown. That pits them against Nick Train, one of the UK's best-known stock pickers, whose firm Lindsell Train is the largest outside shareholder in the funds supermarket.

Hargreaves Lansdown shares have plunged 37 per cent so far this year. Some investors attribute part of the fall to the broader market turning against growth stocks.

"There's a fairly broad church of people who think that such high growth will be difficult for Hargreaves Lansdown to sustain in future," said Julian Roberts, analyst at Jefferies.

Short interest, which has been high for some time, climbed to 10 per cent earlier this month from 8.5 per cent at the start of the year.

Hargreaves Lansdown's share price took a turn for the worse after chief executive Chris Hill laid out a new strategy, which will boost investment in the business and cut the amount of capital returned to shareholders.

"Some people thought that was a recognition of past under-investment and that there was a real headwind for the business. That has given people confidence to short this thing," Roberts said.

Longstanding shareholders are unsettled by bets against the company. "We don't take into account short sellers or not. You've got to form your own view and back it," said Julian Fosh, co-manager of the UK Growth Fund at Liontrust, a top 10 shareholder.

"We see a very strong platform. We see very loyal customers. There's lots of chit chat about short-term issues, having to invest a bit more, but nothing to damage their competitive advantage," he said.

Short interest in Abridn has risen from 1.7% at the start of the year to 7.1%

largest digital asset exchanges, comes after a bruising battle between the FCA and Binance as the UK steps up efforts to control the often unregulated world of cryptocurrencies.

The FCA intervened against Binance last year, saying its "complex and high-risk financial products" posed "a significant risk to consumers" and that the world's largest crypto exchange had "failed" to respond to some of its basic queries, making it impossible to oversee the sprawling group.

A spokesperson for FTX said they believed the regulator intended to warn

Regulators have faced a challenge trying to protect consumers and impose standards in crypto

consumers about a scam impersonating the exchange because some of the phone numbers the regulator listed had been reported as linked to scams.

However, the spokesperson acknowledged that the website identified by the FCA - ftx.com - is the real website of the company. "We're looking into it and communicating with regulators," said FTX. The FCA said in response: "It's important we issue warnings as quickly as possible and [we] will issue updates if further information comes to light."

Crypto exchange and wallet providers have to register with the FCA for anti-money laundering supervision if their digital asset activity is "carried out by way of business in the UK", according to an FCA guide.

The FCA and other financial regulators have faced a challenge trying to protect consumers and impose standards in crypto markets, where many of the largest groups are based in offshore jurisdictions. Both FTX and Cayman Island-registered Binance have set up American affiliates to appease US authorities but they offer services in other countries from their international bases.

FTX's European division this month said Cyprus's financial regulator had granted it an investment firm licence.

The FCA said UK clients dealing with FTX would not have access to UK consumer protections and would be "unlikely to get [their] money back if things go wrong". See FT Big Read

FT logo and text: Our global team gives you market-moving news and views, 24 hours a day ft.com/markets

Crypto

South Korean prosecutors ask Interpol for red notice on Terraform Labs' Kwon

SONG JUNG-A — SEOUL

South Korean prosecutors have asked Interpol to issue a red notice against Do Kwon, co-founder of collapsed cryptocurrency operator Terraform Labs, alleging that he is refusing to cooperate with a probe into the \$40bn implosion of the terraUSD and luna tokens.

The Seoul Southern District Prosecutors' Office said that it had asked the foreign ministry to cancel Kwon's South Korean passport as he was "obviously on the run and has no intention to appear before us for questioning".

"We have begun the procedure to place him on the Interpol red notice list and revoke his passport," the prosecutors' office said, adding that Kwon had not co-operated with investigations into his company's collapse.

An Interpol red notice is a request to law enforcement worldwide to "locate and provisionally arrest a person pending extradition, surrender or similar legal action", according to Interpol's website. Red notices are issued for fugitives wanted either for prosecution or to serve a sentence.

The prosecutor's office said that Kwon told investigators through his lawyer he did not want to respond to their summons immediately.

Prosecutors said he disbanded the South Korean unit of Terraform Labs and left for Singapore at the end of April.

"We are doing our best to locate and arrest him," the office said. "He is clearly on the run as his company's key finance people also left for the same country during that time."

Kwon could not be reached for comment.



Do Kwon: has not been located since leaving for Singapore in April

ment, nor could Kwon's lawyers immediately be reached for comment.

Last week, a South Korean court issued arrest warrants for Kwon and five others connected to Terraform Labs for violating the country's capital markets laws, saying that they were staying in Singapore.

Singapore police said that Kwon was not currently in the city-state, but they would assist the South Korean investigation.

After the arrest warrants were released, Kwon denied he was on the run. "I am not 'on the run' or anything similar, for any government agency that has shown interest to communicate, we are in full co-operation and we don't have anything to hide," Kwon tweeted.

"We are... defending ourselves in multiple jurisdictions; we have held ourselves to an extremely high bar of integrity, and look forward to clarifying the truth over the next few months."

South Korean prosecutors have accused Kwon of financial fraud and are investigating him and his company after two complaints were filed on behalf of 81 investors over allegations the business deceived investors.

Global overview

Treasury yields and dollar buoyed by rate rise hopes as Asian stocks retreat

JOSHUA OLIVER AND ADAM SAMSON — LONDON

US stocks began the week with cautious trading and the yields on government debt pushed higher as investors looked ahead to the prospect of additional monetary policy tightening by the Federal Reserve.

The broad S&P 500 index inched up 0.2 per cent in late-morning trading, while Europe's region-wide Stoxx 600 slipped 0.7 per cent. The S&P had been down as much as 0.9 per cent earlier.

The yield on 10-year US government debt, a benchmark for global borrowing costs, pushed above 3.5 per cent for the first time since 2011 as investors sold, before easing back to 3.47 per cent.

Yesterday's subdued performance comes after MSCI's broad index of developed and emerging market stocks shed 4 per cent last week in its biggest weekly fall since June. Concerns about the global economy and the spectre of further big rises from major central banks have unnerved investors.

"This feels like a make or break week. There is the residual anxiety of the repricing we went through last week

and there is no sense at all that the sentiment is turning for something better," said Samy Chara, chief economist at Lombard Odier.

In currencies, the dollar rose about 0.3 per cent against a basket of other currencies, extending a surge in recent months fuelled by rising US interest rates. The soaring greenback hit sterling, which weakened to less than \$1.14.

"This feels like a make or break week... there is no sense at all that the sentiment is turning"

"The currency market is probably summarising best how close we are to some kind of breaking point," said Chara. "The big question will be whether we will get some positive signal from central banks about when their hiking cycle will peak... You don't see many paths through which the Fed could be reassuring."

The consensus on Wall Street is that the Fed will boost rates by 0.75 percentage points at the end of its two-day

meeting tomorrow. Pricing based on federal funds futures suggests the Fed will boost its main rate to 4.4 per cent in the early months of 2023, from the current range of 2.25 to 2.5 per cent as policymakers attempt to cool inflation.

Fears are mounting among investors that the central bank's efforts to subdue inflation with monetary tightening will pull the US economy into recession as debt servicing costs rise for companies and individual borrowers.

The yield on 10-year inflation-linked US notes, which indicate the returns investors can expect to receive after inflation, reached 1.159 per cent, the highest since 2018. So-called real yields were about minus 1 per cent at the beginning of the year, flattering the valuations of fast-growing tech companies that make up a big weight on US stock indices.

The Japanese yen slipped 0.5 per cent to ¥143 against the dollar after last week reaching a 24-year low before the government intervened further to reassure.

Asian stocks also declined, with an MSCI gauge of shares in the region falling about 0.4 per cent. Equity markets in the UK and Japan were closed for public holidays.





WE ARE EXCITED TO ANNOUNCE THE SHORTLIST FOR THE FT/IFC TRANSFORMATIONAL BUSINESS AWARDS 2022

The aim of this leading global initiative is to highlight and promote ground-breaking, long-term private sector solutions to major development challenges. The emphasis this year is on addressing climate change, improving healthcare and education, highlighting exciting new deep tech ideas, and achieving best practice in impact and gender-lens investing.

The shortlisted nominees are as follows:

TRANSFORMATIONAL CLIMATE CHANGE SOLUTIONS

- Amadeus Sustainable Textile Fibre Project, Brazil
- Cropin Climate-Resilient Farming Initiative, India
- HomeBiogas Waste-to-Energy Conversion Systems, Global
- Moove Sustainable Car Financing for Mobility Entrepreneurs, Nigeria
- Paladin's Villas del Fresno Zero Carbon Affordable Housing, Mexico
- Romco Aluminium Recycling Plants, Nigeria and Ghana

TRANSFORMATIONAL HUMAN CAPITAL SOLUTIONS

- Botho University Falling Walls Teaching and Learning Environment, Botswana
- Hemas Holdings DigiHealth End-to-End Digital Healthcare Initiative, Sri Lanka
- MedGenome Genomic Testing and Research, India
- MPOWER Student Loans and Refinancing Solutions, Global
- upGrad Integrated Lifelong Learning Programmes, India



TRANSFORMATIONAL FINANCE SOLUTIONS – IMPACT INVESTING

- Accion Quona Financial Inclusion Funds
- Adenia Capital Funds for Mature African Companies
- Adjuvant Global Health Technology Fund
- Horizon Capital Growth Fund for Ukraine and Moldova
- Learn Capital Global Education Funds



TRANSFORMATIONAL FINANCE SOLUTIONS – GENDER-LENS FINANCE

- Banco Pichincha Gender Intelligence Programme, Ecuador
- Ecobank's Ellevate Initiative to Strengthen Women's Businesses, Africa
- Evermos E-commerce Platform for Women Entrepreneurs, Indonesia
- NMB Bank Jasiri Gender Bond, Tanzania



TRANSFORMATIONAL SOLUTIONS – NEW FRONTIERS

- 14Trees 3D Printing of Homes and Schools, Malawi
- AQUA Plus Water Rating for Buildings, Portugal
- Digital Vaccines, US, India and Botswana
- Ecovon Renewable Wood Product, Ghana
- Genrobotic's Bandicoot Manhole Scavenger, India

The winners will be announced at a special event on **25 October** at the **Biltmore Mayfair, London and online.**



Please visit our website to learn more about the shortlist: transformationalbusiness.live.ft.com

#FTIFCAwards

MARKET DATA

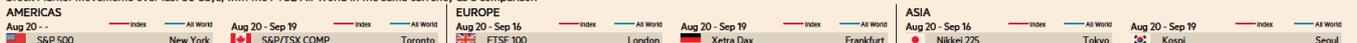
WORLD MARKETS AT A GLANCE

FT.COM/MARKETSDATA

Change during previous day's trading (%)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison





Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Americas	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
America	Dow Jones Industrial	33,990.94	33,990.94	+0.27%	+0.27%	+6.8%	+10.99%
America	S&P 500	4,378.25	4,378.25	+0.27%	+0.27%	+6.8%	+10.99%
America	NASDAQ	14,541.82	14,541.82	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Europe	FTSE 100	7,515.75	7,515.75	+0.21%	+0.21%	+6.8%	+10.99%
Europe	FTSE Eurofirst 100	4,236.34	4,236.34	+0.15%	+0.15%	+3.1%	+5.02%
Asia	Nikkei 225	32,654.25	32,654.25	+0.33%	+0.33%	+8.6%	+12.89%

Country	Index	Latest	Previous	Change	Day %	Month %	Year %
Asia	Hang Seng	12,635.91	12,635.91	+0.43%	+0.43%	+10.25%	+24.20%
Asia	Shanghai Composite	3,725.41	3,725.41	+0.10%	+0.10%	+4.0%	+6.5%
Asia	FTSE MIB	22,554.57	22,554.57	+0.13%	+0.13%	+3.4%	+5.70%

Main financial data table with columns for Stock, Price, Day, High, Low, Vol, P/E, MCap, and various regional indices like ASX, Nikkei, Hang Seng, etc.

FT 500: TOP 20 and FT 500: BOTTOM 20 tables showing top and bottom performing stocks in the FT 500 index.

BONDS: HIGH YIELD & EMERGING MARKET and BONDS: GLOBAL INVESTMENT GRADE tables showing bond market data.

COMMODITIES table showing prices for various commodities like oil, gold, and copper.

BONDS: INDEX-LINKED and BONDS: TEN YEAR GOV SPREADS tables showing index-linked bonds and government spreads.

BONDS: BENCHMARK GOVERNMENT and VOLATILITY INDICES tables showing benchmark government bonds and volatility indices.

GILTS: UK CASH MARKET and GILTS: UK FTSE ACTUARIES INDICES tables showing UK gilt market and actuarial indices.

COMMODITIES table showing prices for various commodities like oil, gold, and copper.

ARTS

'People might say we went too easy on him'

Michael Winterbottom talks to Danny Leigh about turning recent history into television with *This England*, which stars Kenneth Branagh as a Covid-era Boris Johnson

You hear the voice, and then you see the hair. Boris Johnson left Downing Street only two weeks ago, but here he is again, back on television already, quoting Roman emperors. Yet something important has changed. Squint past the bird's nest, and you realise the face belongs to Kenneth Branagh. The actor has been cast as the former prime minister in *This England*, a six-part dramatisation of the first wave of the Covid pandemic in Britain.

Like a government, a production of this scale has many captains. But chief among them is film-maker Michael Winterbottom, who multitasks as producer, co-director of the first and last episodes, and co-writer of all six.

Today he is at home in Norfolk, and speaks with relief about Branagh taking the role. While the series aims to reflect the breadth of the British experience with Covid – taking in care homes and hospitals as well as ministers and special advisers (spads) – Johnson is its largest moving part, a character who calls for an actor of heft. "You can't underestimate how hard Boris is to play," Winterbottom says. "So much of what anyone sees is already a performance – and a performance in itself, and a performance of endless onion layers. None of us know where it stops."

To some, the very rise of Johnson to the top was proof of a screwed up Britain. They may find *This England* a surprisingly sympathetic portrait, the principal rendered as a harried middle-aged chief executive with a new partner in Carrie Symonds (Ophelia Lovibond) and a baby on the way, adult children with whom he would like to have better relationships; money worries; erratic colleagues; finally the case of Covid that saw him hospitalised himself. (Inflam-



Above: Kenneth Branagh as Boris Johnson. Right: writer/director Michael Winterbottom. Below: Ophelia Lovibond as Carrie Symonds — Phil Fisk, Amanda Edwards/Getty

matory quotes from his time in journalism turn up in dream sequences, plaguing his conscience.

"I can see people might say we went too easy," Winterbottom says. "We definitely wanted to humanise him." The "Boris strand" of the series eventually grows speculative. "So our Boris is more self-reflecting than it turns out he probably is in real life. Maybe our version is closer to the person Britain wishes he had been."

The series ends with the ebb of the first wave in June 2020. Filmed and edited throughout the pandemic, research began in the strange lull of that same summer. Scientists and NHS staff were among those interviewed. Winterbottom and his team creating a timeline in order to build up a narrative mosaic. The Johnson camp was approached; there was no response, Winterbottom says.

Senior Downing Street advisers were more forthcoming, however, even then. "I was surprised how willing they were to talk. But I realised I'd been naive about spads. I'd always assumed they had actual specialist knowledge, but in fact they're all ex-journalists and comms people. So talking is what they do."

Winterbottom has long zigzagged between conventional fiction and dramas rooted in news. His films include *The Face of an Angel*, riffing on the case of Amanda Knox, and *Greed*, with Steve Coogan playing a proxy of fallen Topshop impresario Philip Green. *This England* is the kind of project the TV industry feels good about producing, an off-the-moment epic putting cats among pigeons. "British TV should at least try to capture something as momentous as what the country has gone through," Winterbottom says.



state dysfunction, starting – as Cummings loudly complained – with the physical flaws of Downing Street.

"Obviously this government had a particular character, but the problems go much deeper," Winterbottom says. "Number 10 itself makes no sense as a centre of government – an upstairs flat over a few cramped offices. But the NHS has all these structural issues too, because it's been reformed to be at once a set of autonomous bodies and a top-down pyramid. The common thread is paralysing complexity."

If 2020 was a trial for everyone, Winterbottom was no exception. *Greed* came out in February of that year; Covid had already reached the UK. By the summer, he was working on *This England* when his mother was taken to hospital in the family's northwestern home town of Blackburn. Local hospitals were still not admitting visitors. While his brother was finally allowed in to see her, she died unexpectedly before Winterbottom could. "It's strange. I'd heard the stories early in lockdown about people not being able to visit relatives in hospital, and I remember thinking: 'Well, I would never allow bureaucracy to stop me.' And then I ended up in exactly that position."

Still, *This England* is careful not to apportion blame. "We took huge pains not to editorialise. Which is tricky across a six-hour drama when you're showing so many crucial decisions being made, or not made." For all the allure of Downing Street psychodrama, it keeps the lens wide as well, making space for less celebrated lives caught up in the national crisis. "When I was writing, I realised I was absolutely as interested in what was happening in Nottingham care homes as the inside of Boris Johnson's head," Winterbottom says.

But of course that mystery still demanded attention. This has always been Johnson's gift. As Branagh's blond likeness now lures in viewers, so conversation keeps returning to the original. An inevitable question to end on: does Winterbottom expect a political comeback, a Downing Street sequel? "You know, I actually don't think so. Won't he just want to go off and make a lot of money?"

Sky Atlantic and Now from September 28

He knows that the buzz around the series comes from the promised glimpse behind the curtain into a chaotic Number 10. For many, the resulting picture of focus groups and acrid rivalries will already seem familiar. It still makes grimly compulsive viewing.

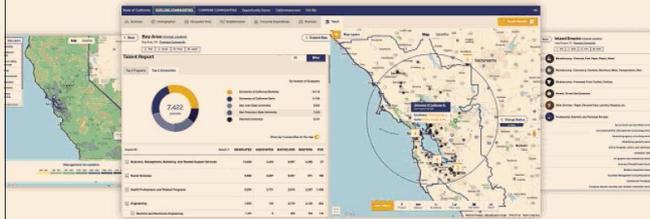
But as a snapshot of Downing Street in lockdown, you also note the lack of the office parties that would later help undo Johnson. News of them was still to break when the script was being written. Even when it did, however, Winterbottom resisted talk of amending his storyline. Only one party fell within the timeframe, he argues, which was always designed to end with the revelations around Dominic Cummings's trip to Barnard Castle. And dramatically, he says, the parties would only echo a point

already made by that first scandal. "Public discovery that the people making the rules weren't following them all started with Cummings," Winterbottom says.

The former chief adviser to the prime minister may be an especially unhappy viewer. His portrait here is some way from the electoral savant played by Benedict Cumberbatch in another political re-enactment, 2019's *Brexit: The Uncivil War*. Now played by Simon Paisley Day, this Cummings is not just a workplace nightmare, but an emptier vessel than often imagined. A key role is taken by the personal blog illicity re-edited to make it appear he had forecast Covid before the pandemic.

Yet he might also see the series as vindication. A key takeaway from Winterbottom's research is a Russian doll of

GISPlanning



Drive investment to your location

GIS Planning offers interactive web tools that provide comprehensive demographic and industry data businesses need to make successful site selection decisions in your location. Features include:

- Demographic analysis
- Industry mapping
- Thematic mapping
- Seamless website integration



Discover our latest online data tool in collaboration with the California Governor's Office of Business and Economic Development (GO-Biz): business.ca.gov/communitydata

From confessional to closely guarded

POP

Banks
Roundhouse, London
★★★★

Arwa Haider

There's an icy veneer to the alt-pop of Californian singer-songwriter Banks (aka 34-year-old Jillian Rose Banks), which counterpoints the raw confessional of her lyrics. Her eerily atmospheric tunes have soundtracked several high-gloss screen dramas (*Grey's Anatomy*; *The Originals*) since the appearance of her debut album *Goddess* in 2014. They might not seem as naturally pitched towards a cheerfully buzzy live date, but then Banks does have a pleasingly defiant streak, as well as a loyal fan base, who packed out this opening UK show of her *Serpentina* tour, named after her fourth and latest album.

While Banks's songs often paint her as an ill-fated lover, she's evidently also a fighter. The singer has been candid about her experiences of anxiety, which led her to perform her earliest gigs with her back turned to the audience. She has also endured serious health challenges in recent years, including a spinal fracture and diagnosis with the autoimmune disease Hashimoto's.

At the Roundhouse, she entered to approving whoops, sashaying down a staircase clad in slinky, sparkling black. The offbeat electro-soul of "Mis-



Banks on stage at the Roundhouse
Robin Little/Redferns
via Getty Images

body stockings that included mesh stretched over their faces. Their moves were mesmerising under the stark spotlights: a fusion of seductive motion and arachnid contortion that intensified the menacing undertone of warped R&B grooves such as "Meteorite".

The live musicians (drums, keyboards) remained in the shadows, but Banks's fans proved that her dark sentiments can have a strangely singalong quality. They offered word-perfect accompaniment to tracks from across her catalogue, including the spiky stomper "Fuck With Myself" (from 2016 album *The Altar*).

When Banks breathily addressed the audience, she expressed excitement at her return to London ("my favourite

appeared that this experimental pop artiste was in some kind of comfort zone, presiding over a familiar stage (Banks had played here in 2017 and 2019), and performing to a devoted crowd who confidently took over the vocals each time she directed the mic towards them (as she often did throughout). While you certainly couldn't begrudge Banks the following she has earned, this sometimes felt like a slight approach to her material's weighty themes of agency and vulnerability; it often seemed she was trading water rather than revealing anything deeper than her established hooks.

At just over an hour, the concert also seemed fleeting. There were undeniable highlights (notably, the wickedly catchy

Learn how your organisation can benefit today. Contact us on +44 (0)20 7775 6667 or visit gisplanning.com

A service from the Financial Times

understood", *Serpentina's* opening number, was a statement of intent: "Damn, I love this hustle/ You don't have to understand".

Banks has previously incorporated twisted choreography into her shows, and here a hyper-flexible female dance duo emerged alongside her wearing full

city"), and described her growing ease about sharing personal experiences in her music. She also couldn't resist a few slightly gooey segues: "I always write about water... do you guys like skinny-dipping?" she cooed, before launching into the slow jam of "skinnydipped". As the concert progressed, it

baseline of "The Devil" and an exuberant encore of her early hit "Beggin For Thread". But despite her personal themes, we were still somehow kept at a safe distance, skating around the surface tension.

hernameisbanks.com

FT BIG READ. DIGITAL ASSETS

Fraudsters took advantage of the hype during the pandemic to prey on individuals, exposing a gaping hole in consumer protections. Investigators often lack the resources to pursue all but the biggest cases.

By Joshua Oliver

Lili was celebrating her birthday when she realised she had been scammed. The 52-year-old Londoner was enjoying high tea with her daughter, who works at a hedge fund, when talk turned to a vexing financial problem. Lili, not her real name, had started trading cryptocurrencies in March 2021, under the guidance of friends she had met online.

At one point, she had been up \$1.4mn. But a bad trade later that year had obliterated most of her gains. Still, she had about \$300,000 in one of her crypto trading accounts, close to the total amount she had invested. Put off by the losses, Lili was ready to quit. To liquidate her remaining tokens and cash in, Lili was told she needed to pay some tax. But when she tried to wire the money to the trading platform, it bounced back.

Lili's daughter was alarmed. And with a sinking feeling, Lili realised her foray into crypto had been an elaborate scam. This moment of clarity was the start of a gruelling fight for justice.

Lili is one of thousands of victims swept up in a tidal wave of fraud that accompanied the crypto boom during the Covid-19 pandemic as more people became interested in investing in cryptocurrency.

Scammers stole \$6.2bn from victims worldwide in 2021, according to the blockchain research group Chainalysis, an annual increase of about 80 per cent. Losses from crypto-related scams reported to Action Fraud, the UK's national reporting centre for fraud, more than doubled to £190mn last year compared with 2020. And by the end of August, losses are 25 per cent higher than the same period last year.

Yet investigators lack the resources to investigate the accompanying rise in fraud cases — especially when those involved in individual scams are seen as relatively small. And with the cost of living crisis set to worsen, UK regulators warn another fertile environment for scammers may be on the horizon. "We are concerned that, in current economic circumstances, people could be tempted to invest in fake investments," says Nausicaa Delfas, interim chief executive of the Financial Ombudsman Service.

Lili's battle to recoup her losses reflects a gaping divide in consumer protections between people who use regulated financial institutions and those who embrace digital currencies. Crypto scams occur outside the system of regulated financial institutions and legal protection that safeguards consumers. Tracing the international networks of faceless criminals behind this fraud is a huge challenge for law enforcement and other investigators.

"Due to the nature of cryptocurrency — that it's irreversible, anonymous and global — it's obviously attractive to fraudsters," says Rich Drury, ombudsman manager at the FOS, which handles complaints against financial companies.

The two "friends" who introduced Lili to crypto, having earned her trust over months of chatting online during the loneliness of lockdowns, did not exist.

They shared pictures that testified to their wealth; posing in front of a Bugatti Veyron supercar, a fluffy white dog wearing a Burberry scarf. All the while, they encouraged Lili to plough more money into her, apparently successful, crypto trades. She sold one of her two flats in London to raise cash for investment. Lili later discovered the trading site her so-called friends had recommended, and the apps she had downloaded, were spoofs.

Even though she has lost a significant amount of her life savings, victims like Lili are unlikely to receive much help. Their losses are not considered significant enough to justify hiring armies of lawyers and consultants for criminal or civil cases — or to rise up the priority list of overstretched police crypto experts.

Crypto criminals exploit the fact that smaller frauds involving multiple victims in different countries can escape the attention of national authorities. "There's an economy of scale that fraudsters can work on," says Carmel King, a director at Grant Thornton, who specialises in asset recovery. "Around the



The lawless world of crypto scams

If your loss is relatively low, there are very few options. It can be, unfortunately, not cost effective for people who may have lost their life savings. There's no point spending £300,000 to recover £100,000

Carmel King, director, Grant Thornton



"There's this big battle going on... The philosophical underpinning of crypto begins with crypto anarchists and the idea that you keep things hidden from the state. If there was a regime that was as strict as banks, that would be immensely helpful"

Sam Goodman, barrister

series of rulings since 2019. Courts are now willing to grant global orders to crypto exchanges to freeze and eventually return ill-gotten cash, and to disclose the identity of suspected scammers. If blockchain forensics can rapidly trace stolen funds to an exchange, barristers can be in court the next morning to secure freezing orders.

"England and Wales is the best jurisdiction in the world if you are a victim of crypto asset fraud," says Racheal Muldoon, a barrister who has worked on these cases. The progress in the UK gave hope to Phoebe, a healthcare professional based in New York, who was defrauded by scammers posing as fellow Christians facing legal difficulties in the Middle East. She sent hundreds of thousands of dollars in crypto to support their cause.

"I was one of those people who thought this could never happen to me. I thought, 'How stupid can these people be?' But the scammers are so good," says Phoebe, who also asked that her real name be withheld. "They would use biblical references to build up your trust and then steal from you."

As some transactions went through UK banks, Phoebe contacted a British lawyer hoping to benefit from their experience. Even with losses of \$800,000, Phoebe concluded a private legal action would not be worthwhile. Muldoon and other lawyers who specialise in cryptocurrency are inundated with pleas for help, but say the tactics that have led to a handful of successful legal actions in England are out of reach for most victims. "I can't help everyone," Muldoon says. "Often, the amount of crypto is so small that I can't advise that they spend the court fees." Lawyers say cases where the loss is less than £1mn are not economically viable.

Lili also reported her crime to the authorities, including London's Metropolitan Police. But almost eight months later, detectives emailed to say Facebook profiles used by the scammers had been deleted and the trail had gone cold. The UK police have built up expertise in crypto, according to experts in the field, leading to a few multimillion-pound busts. But they do not have the capacity to cope with the vast number of smaller cases. "There's no confidence at

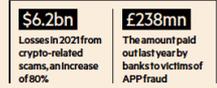
all in the market that the police can help. I think that's a resource problem, not a skills problem," says Sam Goodman, a barrister, who brought some of the first crypto recovery cases in UK courts.

Action Fraud declined a request for an interview.

Exchange of power

The crypto sector was built on the idea that traditional financial institutions rip off the little guy, so there is some irony that Lili's best chance of getting some money back has come through appealing to banks.

In 2019, the UK financial services sector introduced measures to tackle "authorised push payment" frauds, where customers are tricked into sending money to a scammer. Ten of the largest UK banks and payment pro-



viders have agreed to compensate fraud victims out of their own pockets, except under certain circumstances, such as if the customer ignored a warning. Companies can also be forced to refund victims if they failed to spot suspicious transactions and intervene to warn the customer.

The system has been criticised for inconsistency and honouring only a small percentage of claims, leading to calls for the rules to be tightened. Nonetheless, it is a substantial safety net for victims of smaller scams, whose cases are unlikely to be investigated. Banks paid £238mn to victims in 2021, about half of the total losses to APP fraud, according to the latest data from the banking trade association UK Finance. As some of the money Lili lost to the fraudsters was sent via bank transfer, the two banks involved have offered to refund about 30 per cent of her total losses. She has complained to the Financial Ombudsman Service and is arguing for more.

Drury explains that crypto cases often fall outside the scope of these protections, because the first transaction leav-

ing if they are not there, it's a real problem... It's the essence of the entire [crypto] project to disintermediate finance," says Marc Jones, a partner at the law firm Stewarts who specialises in fraud cases.

Crypto exchanges — the companies that provide user-friendly services to buy, store and trade digital assets — come closest to replacing the role of banks.

But lawyers and fraud investigators say co-operation from exchanges on tackling fraud is patchy, and that companies sometimes fail to collect proper identification data on their customers. Identifying the fraudster via a court order to an exchange is a key step in most anti-scams cases.

"Sometimes, it's great. You get a linked bank account or a real passport," says Goodman. "Very often it's complete garbage information."

Know-your-customer, or KYC, checks are a regulatory requirement for most financial groups and are increasingly required of crypto companies in many jurisdictions, including for those based in the UK. Many of the largest crypto exchanges avoid these requirements as they are based offshore. OKX, for example, lets users make daily withdrawals of up to 10 bitcoin with no KYC, equivalent to almost \$200,000.

"Unlike banks, cryptocurrency exchanges that locate themselves in exotic places aren't subject to the same rigorous standards. So even when you can get KYC information, often the quality is very poor," says Goodman. In August, a US congressional committee wrote to five of the largest exchanges to express concern over "the apparent lack of action by cryptocurrency exchanges to protect consumers conducting transactions through their platforms".

Exchanges insist their KYC systems are robust and that their collaboration with law enforcement, and ability to detect and trace fraud, is better than many traditional financial institutions.

"The quality of information and the assistance that we provide is so much better than I was ever able to get from a bank," says Tigran Gambaryan, global head of intelligence and investigations at Binance, a former special agent at the US Internal Revenue Service. "I think

some of the criticism that cryptocurrency exchanges face are outdated and not based on facts."

Blockchain busting

Fraud investigators see the potential afforded by transactions being recorded on transparent, unalterable blockchain ledgers to make fraud easier to fight.

"With blockchain-based scams, you have a unique toolset available to you," says Danielle Haston, a former asset recovery lawyer who now works for Chainalysis, a company that builds blockchain tracing tools.

Tracking money through the banking system can be painstaking, whereas digital assets can be traced in a few days or even hours. If blockchain sleuths can link one victim to a network responsible for a significant collective loss, it increases the case's chance of becoming an investigative priority or viable grounds for a joint legal action.

Phoebe says her stolen funds are linked to a network of wallets handling millions in illicit transactions. She believes this is why detectives are pursuing her case.

The challenge for investigators is to link crypto wallets dealing in stolen funds to real identities. This, investigators argue, is what makes tighter regulation on know-your-customer checks so crucial.

"There's this big battle going on at the moment. The philosophical underpinning of crypto begins with... the idea that you keep things hidden from the state," says Goodman. "If there was a regime that was as strict as banks, that would be immensely helpful."

Europe's sweeping Markets in Crypto-Assets regulation, expected to come into force next year, includes tougher standards for "virtual asset service providers", including exchanges. Companies will also be required to have a presence in an EU country to serve clients in the bloc, preventing offshore crypto giants from skirting jurisdiction.

Progress has been slower in the UK. The Treasury started work on comprehensive crypto regulation when Boris Johnson was prime minister.

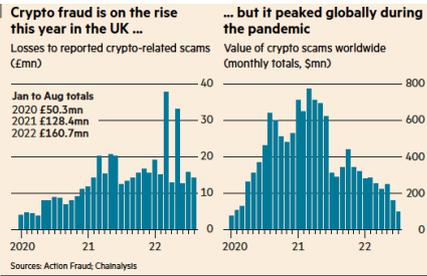
Lisa Cameron, the MP who chairs the UK parliamentary group on crypto, is pushing for a redress scheme to be part of any future regulatory framework.

world, you are under the radar for all authorities because it doesn't reach that level where it's worth significant resources to investigate."

That often means victims who suffer life-changing financial loss have nowhere to turn. "On an individual basis, if your loss is relatively low, there are very few options," adds King. "There's no point spending £300,000 to recover £100,000."

'I can't help everyone'

Despite the challenges they face, lawyers and police have racked up a handful of high-profile wins against crypto criminals. British courts, in particular, have begun to establish a playbook for recovering stolen crypto following a



ing the victim's bank account does not go directly to the fraudsters. Instead, they guide victims to buy crypto on a legitimate exchange and then send the tokens to their wallet.

"One of the issues with many complaints is that the code excludes payments that don't go to another person in the first instance," says Drury. "It's always difficult, but with crypto it's very difficult to get your money back. You're almost always relying on redress from your payment provider."

That banks provide a line of defence against losses to scammers underlines how heavily the present approach to tackling scams relies on regulated financial institutions. "You regulate the intermediaries as a form of protection. And

I was one of those people who thought this could never happen to me. I thought, 'How stupid can these people be?' But the scammers are so good. They would use biblical references to build your trust and then steal from you

Phoebe, victim of cryptocurrency fraud



Although the courts have made progress applying the law to crypto cases, barristers like Muldoon say regulators are not keeping up. "Seemingly old dusty judges... are getting their heads around it far quicker than young bright things at the FCA, revenue and in government," she says.

She believes public and regulatory pressure will eventually force exchanges, like banks, to do more to tackle fraud. "They will have to spend more money and time," she says. "It can't carry on as it is." For Jill, the battle for restitution has dragged on for as long as the fraud itself. With her case unresolved, she has found it difficult to move on. "I can't believe I've been fooled at my age," she says. "I need justice."

The FT View



FINANCIAL TIMES
"Without fear and without favour"

ft.com/opinion

The many faces of Italy's likely new prime minister

Misgivings remain about Meloni and her rightwing Brothers of Italy party

Who is the real Giorgia Meloni? A hard-right firebrand; a conservative sticking up for family values; a staunch defender of Ukraine; or a threat to the EU at one of its most pivotal moments? Meloni is adept at presenting different faces, at home and abroad, in her quest to become what would be her defining identity as Italy's first female prime minister if, as is predicted, Sunday's general election results in victory for the rightwing coalition led by her Brothers of Italy party.

Among a deep pool of unattractive characters on the right of Italian politics, the best that can be said about Meloni is that she is not Matteo Salvini of the League, whose star has waned as Meloni's has risen and is now her coalition partner. Luckily for Brussels – which

must present a united front against Russia's war in Ukraine and also manage soaring energy prices – she does not share his pro-Kremlin views (both have softened their Euroscepticism, helped by a €200bn EU coronavirus rescue fund). Nor is she burdened by the dubious record of Silvio Berlusconi, in whose government she served and whose Forza Italia party props up the coalition.

Still, grave reservations about Meloni remain, particularly as a wave of hard-right parties enjoy a worrisome resurgence across Europe. She calls herself a centre-right conservative – but has refused to disown the roots of her party, whose flag still bears the fascist flame. Meloni has advocated naval blockades to prevent migrants reaching Italy from north Africa, and favours catchphrases such as: "Yes to the natural family, no to LGBT lobbies!"

For her part, Meloni derides her rivals' obsession in trying to pigeonhole her. No doubt strategically, she has presented a more moderate face on

the campaign trail, where voters' primary concern is a cost of living crisis, not immigration. Part of her popular appeal, beyond her straight-talking style, is that she is seen as a new broom. Unlike Salvini, she resolutely refused to join the unity government of Mario Draghi, the outgoing prime minister and former European Central Bank president.

The flipside of that is her inexperience at a time when Italy's credibility both in Brussels and with financial markets is crucial. Draghi was able to negotiate Italy's €200bn rescue package but it is contingent on reform, as would be the ECB's new bond-buying scheme to contain borrowing costs of heavily indebted countries, such as Italy, relative to their northern neighbours. The coalition's manifesto hints that it will try to renegotiate some of those conditions. It should think again. Meloni seems to understand that her success is tied to Italy's economic stability and has advocated fiscal responsibility, for now at least.

It is an indictment of the country's political class that it has come to this: a choice between democracy and competence

Much will rest on her choice of finance minister – a role often filled by a technocrat – as well as the foreign and energy budgets.

It is an indictment of Italy's political class that it has come to this: a choice between democracy and competence. For all of Draghi's expertise, Italy could not be governed by technocrats forever. The fact that Meloni could be Italy's first prime minister elected at the helm of a winning party in 14 years is shocking in itself. The EU should encourage this democratic step, as nuanced as it is, shunning a Meloni government, for all its illiberal views, would only push it into the darker corners of nationalism shared by Hungary's Viktor Orbán.

We will find out soon enough who Meloni really is. There is no shortage of potential crises to test whether she will revert to type, from the war in Ukraine to soaring food and energy costs. Italians, and Brussels, must hope that her relatively more moderate mask will slip.

Opinion Technology

Beware the rise of the black box algorithm



Stephen Bush

One of the ways my partner and I are well-suited is that we both like board games, and I am not very good at them. This helps, because my partner is a gracious winner but an appalling loser. Once, in her early teens, during a game of draughts with her sister, she responded to an unwinnable position by turning over the table.

If artificial intelligence does destroy human life, it will almost certainly be more like my partner's reaction to defeat than the destructive intelligence from the Terminator films. Catastrophe will come not when a sophisticated intelligence decides to use its power for deliberate evil, but when the easiest way to fulfill its programming and to "win" is to turn over the table.

The threat that artificial intelligence will cause some kind of societal dis-

ance, the UK's "algorithm" was essentially arbitrary at an individual level. The result was a public outcry, an abandoned algorithm and rampant grade inflation.

The most worrying use of algorithms in policy are so-called "black box algorithms": those in which the inputs and processes are hidden from public view. This may be because they are considered to be proprietary information: for example, the factors underpinning the Compas system, used in the US to measure the likelihood of reoffending, are not publicly available because they are treated as company property.

This inevitably poses issues for democracy. Any system designed to measure the likelihood of someone reoffending has to make a choice between letting out those who may in fact go on to reoffend, or confining to prison people who are ready to become productive members of society. There is no "right" or "fair" answer here: algorithms can shape your decision-making, but the judgment is ultimately one that has to be made by politicians and, indirectly, their voters.

As the statistician David Spiegelhalter has observed, there is no practical difference between judges using algorithms and judges following sentencing guidelines. The important difference is solely and significantly that sentencing guidelines are clearly understood, publicly available and subject to democratic debate.

The UK's doctored exam algorithm was not a "black box" due to intellectual property laws or a desire for a business to protect its interests, but a result of the British state's default preference for opaque decision-making. Had the workings of the process been made

We are complacent about the prevalence of AI in public policy and business decision-making

ter is, of course, a reason we should worry about research, ethics and transparency. But this focus on the potential for catastrophe can sometimes distract from the more mundane dangers. If your cat has

Letters

Tech start-ups should remember real innovation takes time

Your piece on technology start-ups entitled "A broken scaling model" (Opinion, September 12) makes several relevant points on the need to focus on product differentiation and a route to profitability.

But one word – or should I say one abbreviation – summarises the gold rush of the last few years best: Fomo or fear of missing out.

Pop culture and start-up culture blurred into one. We've had big

marketing spend, big parties and even bigger addressable markets. Nowhere was this more prevalent than with crypto.

Real innovation takes time. Clayton Christensen's advice in *The Innovator's Dilemma* is timeless. First, build deep in one niche and then expand into adjacent markets. Think Amazon.com.

Second, when you are trying to solve client problems in new ways your technology doesn't always have to be

superior from day one. Think Tesla.

The impending cost of living crisis will see a pivot from consumer to enterprise software. As Nalin Patel, Europe, Middle East and Africa lead analyst for private capital at data provider Pitchbook, is quoted in the piece as saying: "Big banks are riddled with legacy IT infrastructure issues – it leads to all sorts of inefficiencies."

For all the media hype around consumer Web 3.0 it is worth

remembering that change in enterprise software can happen by stealth. Jeff Bezos famously pointed out that Amazon Web Services had a seven-year head start on its competitors.

Enterprise 2.0 has moved us from on-premises to cloud software. Enterprise software 3.0 is likely to change the game again.

Rupak Ghose
Chief Operating Officer, Galytix
London SW5, UK

Kwarteng wants growth, but what type exactly?

Upon reading your article "Kwarteng tells Treasury to adopt new focus 'entirely on growth'" (Report, September 13) I was reminded of the late Peter Drucker's remark that there are three types of growth: muscle, fat and cancer. One wonders what type of growth the chancellor Kwasi Kwarteng will be championing.

Martin Hewes
Haslemere, Surrey, UK

Chancellor's approach has unhappy Tory precedents

You report that the new chancellor Kwasi Kwarteng has instructed the Treasury to adopt a new approach which focuses entirely on growth ("Chancellor's growth target raises eyebrows", Report, September 14).

I am reminded of two of his predecessors. First, Reginald Maundling. He was blamed for the "dash for growth" in his 1963 Budget which subsequently increased the instability of sterling and, through the boost to consumer demand, led to a worsening of an existing balance of payments problem.

Fiscal discipline is what the US economy needs

Frederic Mishkin is correct that the Federal Reserve must not imitate Paul Volcker's mistake of easing monetary policy before inflation is defeated (Opinion, September 15). President Joe Biden must also avoid Ronald Reagan's mistake of running stimulative fiscal policy while the Fed is fighting inflation. In the 1980s, US deficits reached 5 per cent of gross domestic product. To offset this stimulus, the Fed was forced to raise rates to what Helmut Schmidt observed were their highest levels since the time of Christ.

The combination multiplied government debt. Contractionary monetary policy and expansionary fiscal policy contributed to US current account deficits approaching 3 per cent of GDP. As the Fed seeks to reduce aggregate demand, as US Treasury rates have increased by hundreds of basis points since the start of 2022, and as the US current account reached 4.8 per cent of GDP in the first quarter of 2022, fiscal discipline is again essential.

Willem Thorbecke
Senior Fellow, Research Institute of Economy, Trade and Industry
Tokyo, Japan

An American mourner feels the monarch's magic

An accidental mourner of sorts, I fatefully found myself in London (Report, September 10). A dawn visit to Green Park was partially investigative; the crown befuddled as much as it dazzled. Reading the remembrances left me teary-eyed but clear-minded. It was the Queen, as the nation's mother, who was so deeply loved and whom people will dearly miss. How she connected with so many was her magic, her power. My confusion was cured. It was the monarch, not the monarchy.

Gray Schweitzer
New York, NY, US

Porsche vs Ferrari

Management and advisers can aspire to a luxury valuation but Porsche is naive to believe it can follow in Ferrari's lead (Report, September 16). Simply put, a Porsche no longer turns heads whereas a Ferrari remains a sight to be seen. Porsche has been playing the volume game for too long to fit to be positioned in the same league as Ferrari.

Clive Bellingham
Zurich, Switzerland

OUTLOOK LOS ANGELES

California's car culture isn't ready for

On a warm Saturday night in August, Sal Preclado parked his gleaming 1971 Monte Carlo on Sunset Boulevard in front of El Clásico, the tattoo parlour he has owned for the past 14 years. All evening, Sal and his friends watched as a procession of "low-riders" – lavishly customised classic American cars – rumbled up and down the boulevard past his shop.

"I was an old-school low-riders," he told me. "We all lowride. It's part of the California culture. Everybody likes these cars, man – American-made cars."

But a growing number of Californians are starting to like electric cars, too. The state leads the US in electric car sales, and in the first five months of 2022 more than 28 per cent of cars sold here were either electric or hybrid vehicles, according to the California Auto Outlook. The Tesla Model Y is a heavy electric SUV

1940s. It was a "lurid" time of "weird-looking roosters and custom cars, with very loud varoom-varoom motors" – and lots of highly illegal drag racing. That outlaw spirit was revived during the pandemic, when LA's usually jam-packed roads were suddenly clear – allowing drivers of the new generation of American muscle cars to literally take over the streets.

Instead of drag racing, these "low-riders" – also known as "olds

...MARGES. IF YOU DRIVE UP TO you towards the edge of a cliff, as it did in 2009, when Robert Jones was convicted for not driving with due care and attention, then it is not a societal-level tragedy. But it may be a personal one if it leads you to lose your life, your job or even just your driving licence.

One unhappy consequence of constant dire predictions about the absolute worst consequences of artificial intelligence or machine learning programmes is that they encourage a sort of “well, they haven’t killed us yet” complacency about their current prevalence in public policy and business decision-making.

A more common problem is that, for policymakers and business leaders alike, the word “algorithm” can sometimes be imbued with magic powers. A good recent example is the UK government’s doomed attempt to assign students grades during the pandemic. But an algorithm is merely a set of data fed through rules or mathematical formulas to produce an outcome. As no UK student sitting their GCSEs or A-levels had much in the way of meaningful data about their own perform-

...OF THE PROCESS BEEN MADE available earlier, the political opposition to it would have become clear in time to find a more palatable solution.

The other form of black box algorithm is one in which the information is publicly available but too complex to be readily understood. This, again, can have dire implications. If the algorithm that decides who is made redundant cannot be reasonably understood by employees or, indeed, employers, then it is a poor tool for managers and one that causes unhappiness. In public policy, if an algorithm’s out-workings are too complex, they can confuse debate rather than helping policymakers make to better decisions.

Spiegelhalter proposes a four-phase process for algorithms and machine learning in public policy and the workplace, comparable to the process that UK pharmaceuticals must go through in order to be approved. One reason that plan is a good one is that it could avoid a world-ending mistake; but it could also avert minor tragedies and public policy failures, too.

stephen.bush@ft.com

net zero

...IT WAS ONE OF THE LAST LOS ANGELES cruises, one that Sal had organised, and the mood was festive. Some of the low-riders were tricked out with hydraulics that made the enormous steel cars bounce like bedspreads, while others had “scrape plates” that left trails of sparks flying off the pavement. Throngs of dancing, beer-drinking Angelinos cheered.

I thought about the low-riders a couple of weeks later when California governor Gavin Newsom enacted his plan to phase out sales of petrol-fueled cars by 2035, part of the state’s goal of reaching zero carbon emissions by 2045. The policy was groundbreaking, a first in the US.

Newsom also set in motion what was probably an inevitable collision between two of California’s defining traits: its cutting-edge environmental policy and its citizens’ almost erotic love affair with the car.

It is no question which side Sal is on. He’s got nothing against protecting the environment, but he also cannot find anything to like about electric cars. “I can’t even imagine



by Christopher Grimes

...THE FIRST I’VE EVER HEARD OF, it was the best-selling vehicle of any type in the first quarter of this year.

The extreme weather in California this month – temperatures reached record highs across the state, stretching the electricity grid to the limit – was a reminder of why its citizens may feel more urgency on climate change than those elsewhere. But California has always been a pioneer on environmental policy.

It introduced rules in the 1960s that limited motor vehicle exhaust emissions, and later set high standards for fuel efficiency in cars. In 2006, California launched the first comprehensive greenhouse gas regulatory programme in the US. Yet the state also practically invented car culture, then exported it to the world via rubber-burning evangelists from the Beach Boys to Dr Dre, American Graffiti to The Fast and the Furious.

In his classic work on California’s custom car culture, *The Kandy-Kolored Tangerine Fluke Streamline Baby*, Tom Wolfe tells the origin story of hot-rodding, which he dates to the mid-

...SHOWS” – usually involve huge crowds of people standing in an intersection while cars squeal at high speeds in tight circles. There have been about 705 takeovers this year – and six deaths associated with them. When it’s all over, the air is filled with thick grey smoke and intersections indelibly covered in black tyre marks. It might be hard to see how high-octane speed junkies like the takeover drivers could be persuaded to move to a practical EV in 2035, state rule or no state rule. But Tesla has already shown electric cars can be fast; the Model S can reach 200 miles an hour (322km/h). Perhaps more significantly – at least in terms of building credibility in hot rod circles – an unknown Tesla driver performed an incredibly dangerous jump in East LA this year that was viewed millions of times online. Sal remains unmoved. “I hate Teslas,” he says. “There’s nothing cool about them. Give me a nice Chevy – something with character.”

christopher.grimes@ft.com

Opinion

Are the British really the worst idlers in the world?

EMPLOYMENT

Sarah O’Connor

In December 1967, five young typists in an office in Surlingham decided to work an extra half an hour unpaid each day to help Britain’s struggling economy. Within days, their “I’m backing Britain” campaign snowballed. More workers joined in, badges were made and Bruce Forsyth recorded a single. An editorial in the Financial Times called the campaign “a beacon of light in an otherwise dismal economic and industrial prospect” and commended its spirit if not its economic logic.

The campaign fizzled out after a few months, but the notion that Britain would be better off if people worked harder has not gone away. In a book in 2012 called *Britannia Unchained*, five Conservative MPs revived the argument. “Once they enter the workplace,

the British are among the worst idlers in the world,” the book says. “We work among the lowest hours, we retire early and our productivity is poor. Whereas Indian children aspire to be doctors or businessmen, the British are more interested in football and pop music.”

Given that two of the book’s authors, Liz Truss and Kwasi Kwarteng, are now the country’s prime minister and chancellor respectively, it is worth revisiting this characterisation of the workforce. Is there any truth to it? Yes and no.

Let’s start with the “no”. Workers in the UK don’t work among the lowest hours. International comparisons of working hours are tricky because of varied calculation methods, but the available data suggests average usual weekly hours in the UK are slightly above the OECD average – lower than the US and Switzerland but higher than Sweden, Germany and France.

Some people probably could and would work more hours if they had access to more affordable childcare – a point that *Britannia Unchained* rightly makes. But even so, it should be clear from this data that working longer

hours isn’t the key to prosperity: countries like Turkey have long working hours but lower GDP per head, while some countries with shorter hours than the UK have higher GDP per head.

Workers in the UK don’t retire particularly early by international standards either. OECD data shows the average effective labour market exit age for men in the UK is 63.7 – about the same as the

Data suggests that average usual weekly hours in the UK are slightly above the OECD average

OECD average. For women, it is 63.2, above the OECD average of 62.4.

As for teenage aspirations, it’s hard to argue that Britain has a shortage of people who want to be doctors. Almost 30,000 people applied to study medicine at university last year, but in spite of a nationwide shortage of doctors, the government has capped the number of medical school places in England at

7,500. Young people want to become doctors and their country needs them. The failure is rather the under-investment in training them.

That brings us to the point on which *Britannia Unchained* is correct: workers in the UK are less productive in terms of the output they generate per hour than their peers in comparable countries. Nor are they catching up. Productivity growth has slowed since the financial crisis in lots of countries, but in the UK it has practically stalled.

Are British workers just lazy? That’s not what the data suggests. A set of large government-funded surveys which have been conducted since the 1990s shows the share of people who say they work at “very high speed” for at least three quarters of the time rose from 23 per cent to 45 per cent between 1992 and 2017.

Customers, clients and managers now have the whip hand, people report. In 1992, 71 per cent of employees said they had “a great deal” of control over how hard they worked; by 2017 this had dropped to 46 per cent. This tallies with data from the Health and Safety

Executive which shows work-related stress, depression and anxiety on the rise.

A better explanation for poor UK productivity is the lack of investment in new equipment and technology to help people do their jobs more efficiently. Amazon workers in robotised warehouses pick roughly three times as many items per hour as their peers in the company’s non-robotised warehouses, for example. They aren’t working three times harder; they’re more productive because the robots are bringing the shelves to them. Yet business investment has been weak in the UK by international standards, and took a further hit after Brexit. As a recent report by Giles Wilkes at the Institute for Government concludes: “The UK has shifted even more to a labour-intensive, lower-capital model for growth.”

The British aren’t the worst idlers in the world. The problem – one Truss and Kwarteng would do well to focus on – is worse than that. They are running just to stand still.

sarah.oconnor@ft.com

Queen’s funeral music revealed truths about her – and all of us

Clemency Burton-Hill

Of the millions mourning Queen Elizabeth II, how many people could say with any certainty who she was, what she thought or what she actually liked? She left us a few clues: the horses, the corgis, the middy Dubonnet, the off-guard private giggle at an official event. But one of the most remarkable traits of the Queen’s 70-year reign was her absolute inscrutability. Rarely did she let her guard slip.

In the realm of music, though, we do have some idea. While others in her royal family, past and present, have shown interest in progressive musical directions, Queen Elizabeth preferred convention. She was a dutiful patron of many musical institutions, from orchestras and conservatoires, to choral societies and concert venues up and down the country. And she seemed to be a genuine supporter of the people behind the music, whether nervous schoolchildren, passionate amateurs bowing their hearts out or seasoned professional players.

The famed British composer Benjamin Britten was deeply touched at her ministrations after a heart operation and stroke almost ended his career; for her part, she reportedly favoured his version of “God Save the Queen” over any other arrangement. The list of other major composers that she was associated with – Edward Elgar, Ralph Vaughan Williams, Arnold Bax, William Walton, Herbert Howells, Malcolm Arnold, to name a few – reads like a *Who’s Who* of 20th-century British musical luminaries. But her own tastes were less *Gloriana* and more *Everyman*.

The soundtrack to this moment in history had to afford contemplation and space to everyone

While the Queen wasn’t a guest on *Desert Island Discs* (more’s the pity), we have had occasional auditory glimpses into her inner life.

She loved her girlhood piano lessons with her sister Princess Margaret. She loved the British folk music of a countryside show, or a Scottish céilidh reel. She loved her bagpiper, who woke her up most mornings. As one former member of the royal household told me: “She loved the music people actually knew.” For all the height and pomp and circumstance that she endured every day, the Queen had a common touch.

And so, although protocol means the likes of Vera Lynn or Fred Astaire songs, or numbers from her favourite musicals (such as *Show Boat*, *Oklahoma!* and *Annie Get Your Gun*) couldn’t possibly be performed at her state funeral, many of her other favourite pieces were celebrated. And not just in the historic pageantry of a monarch’s passing but in the carefully chosen fanfares with their military touches; or the nods to her Scottish

Putin, Xi and the limits of friendship

GLOBAL AFFAIRS

Gideon Rachman

On February 4 this year – three weeks before Russia’s invasion of Ukraine – Vladimir Putin met Xi Jinping in Beijing. A joint statement by the two leaders announced that friendship between Russia and China “has no limits”.

Seven months on, Xi may be regretting those words. Speaking before a meeting of the Shanghai Cooperation Council in Uzbekistan, Putin promised to address the “questions and concerns” that China has about the Ukraine war.

Neither Putin nor Xi chose to elaborate on those concerns in public. But it’s not hard to guess. The war has weakened Russia, destabilised Eurasia and strengthened the western alliance. None of that looks good, viewed from Beijing.

The February 4 statement made it clear that the foundation of the Russian-Chinese friendship is shared hostility to American global leadership. A swift Russian victory in Ukraine – coming just a few months after America’s chaotic withdrawal from Afghanistan – would have been another serious blow

have set the stage for a Chinese attack on Taiwan.

By contrast, a protracted conflict in Ukraine – and the prospect of Russian defeat – is a serious strategic setback for China. As Nigel Gould-Davies of the International Institute for Strategic Studies says: “There are abundant reasons for China to be very unhappy.”

The most obvious is that Russia is China’s most important international partner. The two countries are not formal treaty allies. But they back each other in international forums and stage joint military exercises. The first foreign visit that Xi made after becoming president was to Moscow. Xi has referred to Putin as his “best friend”. But now his pal looks like a loser. And China’s friendship with Russia looks like an embarrassment, not an asset.

As well as weakening China’s most important international partner, the war in Ukraine has engineered a revival of the western alliance. US leadership looks confident and effective once again. American weapons have helped to turn the course of the conflict. New countries are lining up to join the Nato alliance. The Chinese state media love to stress the inexorable decline of the west. But, suddenly, the western alliance is looking rather sprightly.

Beijing could at least take comfort from the fact that the “global south” appeared to be neutral – and sometimes even tacitly pro-Russian in this conflict. That matters because the



important part of China’s rivalry with the US.

But sentiment in the global south is shifting. At the Samarkand summit, Narendra Modi, the Indian prime minister, publicly chided Putin, telling him that “today’s era is not of war”. The Russian leader was reduced to promising that: “We will do our best to stop this as soon as possible.” At the UN General Assembly last week, India joined 100 other countries in voting to allow Volodymyr Zelensky, Ukraine’s president, to give a virtual address. Just six countries joined Russia in opposing the speech. China abstained.

At home and abroad, Xi likes to stress his desire for stability. But the war has stoked instability across Eurasia. Azerbaijan has just attacked Armenia,

A seriously weakened and embarrassed Russia is already a much less useful

which is an ally of Russia. Fighting has also broken out between Kyrgyzstan and Tajikistan.

A seriously weakened and embarrassed Russia is already a much less useful partner for China. And the results of the war are still unfolding. The ultimate nightmare for Beijing would be if Putin were to fall and to be replaced by a pro-western government – which is improbable, but not impossible.

Of course, a weakened Russia also brings some benefits for China. Moscow is now increasingly economically dependent on Beijing. Putin recently made a grim reference to the hard bargain China drives in commercial negotiations.

Some Washington analysts go even further, arguing that the Ukraine war will drive Moscow permanently into the arms of Beijing, while distracting the US from focusing single-mindedly on facing down China.

This school of thought argues that a crucial turning point in the cold war was

pening – and the China-Russia axis is being hardened.

But this argument treats great powers as value-free pieces on a strategic chess board.

The reality is that Russia and China have formed an informal alliance because their world views have a lot in common. It is implausible that one of them would peel off and decide to align with America. It is America that is the problem that they are trying to solve.

The Russian-Chinese axis presented on February 4 was also, to a significant extent, a personal deal between two strongman leaders. Putin and Xi clearly liked each other’s style and saw themselves as the embodiments of their respective nations. They were, in the words of Alexander Gabuev of the Carnegie Moscow Centre, “the tsar and the emperor”.

But with Putin now looking more like Nicholas II than Peter the Great, Xi must regret embracing his Russian counterpart so wholeheartedly.

to US prestige and power. That would have suited Beijing well, and might even

struggle for the loyalties of countries in Africa, Asia and the Americas is an

partner for China

the Nixon-Kissinger opening to China of 1971. Now, they fear, the opposite is hap-

gideon.rachman@ft.com

roots; or the familiar chords of Hubert Parry's "My Soul, There is a Country", or the exuberant congregational Crimond hymn "The Lord's My Shepherd", which raised the roof of the abbey.

Queen Elizabeth was an enigma to us. Music - despite the best explanatory efforts of many - is equally inscrutable. In some ways, it is just physics, or "sonorous air", as the composer Ferruccio Busoni put it. But within those physical properties are ineffable qualities that, in momentous moments, can be binding and all-powerful. Into those notes are somehow collapsed history and geography, space and time, grief and joy, sorrow and wonder, nostalgia and memory.

Just as Westminster Abbey had to rise to the occasion as a space to contain all our modern multitudes, so the soundtrack to this moment in history had to afford contemplation and space to us all. Music animates the ears and body, the head and heart; I know of no more powerful means of belonging. Even in these lonely, divisive times, it can bestow something akin to gratitude on us, however temporarily. Something akin to hope.

It is a huge responsibility, of course, to provide these otherwise inarticulate things for so many millions across the world. But Queen Elizabeth tried and largely succeeded in her efforts. In celebrating her reign, I believe music proved itself up to the task.

The writer is a broadcaster, violinist and author of 'Year of Wonder: Classical Music for Every Day'

How Nigeria's state lost the trust of its citizens

AFRICA
David Pilling



the lowest proportion in the world, and far below the bare minimum the World Bank says is necessary for a functioning state. Though there have been half-hearted efforts to raise the tax base, the story remains unchanged: Nigerians pay very little tax and expect very little in return.

In this, the state does not disappoint. Of the country's 210m people, some 90m have no access to electricity. About 20m of Nigeria's children are out of school. With no social safety net, some 40 per cent of Nigerians live in absolute poverty, defined as earning less than \$1.90 a day.

Nigeria has a semi-decent road network, at least between big cities such as Lagos, Ibadan, Port Harcourt, Abuja, Kano and Kaduna. But security is so poor that many people are too afraid to use it. Nigeria's security forces, mostly underpaid and under-equipped, are in a war of attrition against gangs of bandits, separatists, extortionists, kidnapers and terrorists. The state of insecurity suggests they are losing.

It is easy to see how Nigeria got here. For half a century, it has been pumping

oil in quantities large enough to pay for a small elite, but not large enough to raise everyone's living standards significantly. According to calculations by Stefan Dercon, an Oxford professor, in 2010, when oil prices were riding high, Nigeria made \$54bn from oil and gas, of which \$38bn ended up in federal government hands. That equates to only \$340 per capita against \$1,206 in

With nothing to gain, it is hardly surprising that those who can afford to pay taxes are reluctant to do so

Algeria, \$2,965 in Gabon and a hefty \$7,477 in Saudi Arabia.

In those circumstances, the name of the game becomes getting hold of oil rent. With almost no money left over to fund public services, those who can afford it simply opt out. They generate their own energy. They send their kids to private school at home (or preferably abroad). They go to private hospitals.

Even Muhammadu Buhari, president since 2015, spent much of his first four-year term in London seeking medical care that was presumably not available at home.

With nothing to gain in return, it is hardly surprising that those who can afford to pay taxes are reluctant to do so. The consequences are corrosive. The rule becomes everyone for themselves. At its extreme, this turns citizens and organisations into extortionists - the mirror image of the extortionist state.

One of Nigeria's growth industries is kidnapping. In the year to June 2022, according to SBM Intelligence, a security consultancy, 5,420 people were abducted, with a further 564 killed in incidents associated with abduction. Families see little point in contacting police and many negotiate directly with kidnapers, paying in total hundreds of millions of naira in ransom.

Oil theft is another extortionary racket. This month, the Nigerian National Petroleum Company estimated that 400,000 barrels of oil were being stolen every day. Nigeria has an Opec quota of 1.8m barrels but is only

able to meet about 1.13m, the lowest in 50 years. In the Delta states where most onshore oil is pumped, the government regularly pays off the extortionists who blow up pipelines or employs them as poachers turned gamekeepers.

State refineries have not worked properly for years. But there has been a proliferation of illegal refineries processing stolen oil. In April, more than 100 people were killed when one blew up.

Next year, Nigeria will get a new president and a new legislature after elections in February and March. In Abuja and Lagos, the chatter is of little else. Yet unless the next government can rewrite the social contract between the state and its citizens, it doesn't much matter who wins.

If a state cannot make its presence felt through even mildly effective tax and spending, it will not only be weak, but part of the extortionist problem. Unless the Nigerian state can somehow change course, it is hard to see how the centre can hold.

david.pilling@ft.com



Twitter: @FTLex

Apple: satellite of love

Apple's pitch for satellite investment anticipates the misadventures to which humans are prone. Get stranded up a mountain with no mobile signal and your iPhone 14 will text out an SOS. The idea is to make smartphones even more indispensable.

But distress signals are unlikely to be the end of Apple's ambitions. Just as the company has begun to use more of its own chips to increase autonomy over hardware manufacture, Apple may hope that satellites will give it more control over connectivity. The result could be direct competition with wireless carriers such as AT&T.

Satellite/smartphone deals are all the rage. Huawei is working with China's Beidou satellite network and T-Mobile has a deal to connect smartphones to SpaceX satellites. SpaceX boss Elon Musk also claims to have had talks with Apple. Amazon has partnered with Verizon, OneWeb with AT&T and Nokia with AST SpaceMobile. Some aim to connect satellites directly to phones, others to cell towers.

Apple's deal with satellite communication company Globalstar aims to provide a direct phone-to-satellite service in the US and Canada this year. It has lifted Globalstar's shares more than 57 per cent in 2022.

Satellite expansion requires large-scale investment for returns that may be years away. Lossmaking Globalstar's revenues were just \$124m last year. Luckily, Apple's free cash flow was \$95bn, up a quarter on the previous year. This covers the capital expenses of sending up new satellites plus recurring service fees.

Apple also has warrants to acquire up to 2.64 per cent of Globalstar's outstanding stock at \$1.01 (43 per cent below Friday's price). In return, it will control 85 per cent of network capacity. Potential gains could be vast. If satellite services go beyond emergency texts to internet connections, Apple could add another source of recurring revenue. Internet access in any location is valuable. If 1 per cent of US iPhone users paid \$100 a month for access, the service would add close to \$1.5bn to the company's annual revenue.

The challenge is regulatory approval. There are thousands of satellites in low Earth orbit and tens of thousands more

planned. SpaceX alone wants 42,000. Overcrowding risks accidents. But Globalstar has a satellite network plus approval for satellite-based mobile services. Apple's new partnership gives iPhones another advantage.

Singapore hotels: the Reit stuff

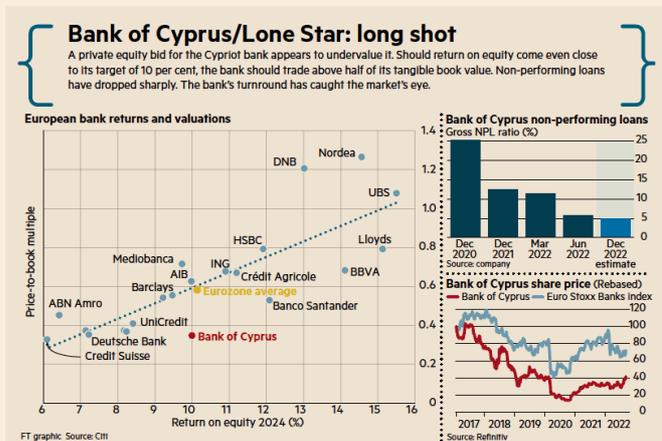
Normally quiet Singapore hopes to become one big party island soon with the arrival of global pop groups, including Green Day. After a two-year break due to pandemic restrictions, Formula 1 returns along with several global investment conferences. Hotel operators should have a good time, too.

Accommodation prices in Singapore have hit their highest in a decade. Average hotel occupancy rates approach 80 per cent, just shy of pre-pandemic levels. After Covid-19 struck, Asia's average hotel occupancy fell to as low as 25 per cent in 2020. Shares of Asian hotel and resort operators, including Genting Singapore and Shangri-La Asia, gained in the past year as Singapore eased border restrictions. This is good news for the real estate investment trusts sector. After a poor five years, Singapore-listed hospitality Reits, including Far East Hospitality Trust and CDL Hospitality Trusts, have rebounded in 2022. Another, Frasers Hospitality Trust, received bid interest from a Thai property group.

That should not surprise. Singapore's FT night race could draw its biggest turnout since it began in 2008. Local carriers Singapore Airlines and Scoot reported passenger load factors of more than 85 per cent last month. This year's combined hotel room revenue of \$1.4bn is more than double that of last year, with many hotels pricing rooms at more than \$2,000 a night.

Office properties, another big portion of local Reits, also benefit from this popularity. While Hong Kong suffers a glut of office space and an expat exodus, Singapore's office vacancy rate is below 7 per cent as of end-June. The city-state will add as many as 20,000 finance jobs over the next five years. Rental yields, along with Reit portfolio values, should pick up.

Rising interest rates are a risk to Reits in the short term. But long-term total returns of Reits have remained positive during times of elevated rates



Cyprus has attracted a different sort of visitor recently. US buyout group Lone Star has taken an interest in Bank of Cyprus, the island nation's largest lender. It has made three unsolicited offers and says it is pondering a fourth. The latest values the bank at almost €700m. But an attractive price alone may not win Lone Star the prize it craves.

Cyprus has done well to clean up its financial mess of a decade ago. The bank then chose to bail-in bank depositors during the European debt crisis. A 50 per cent haircut for savers with more than €100,000, mostly foreigners and including many Russians, helped finance the recovery. It has since disposed of many of its non-performing loans,

as Cyprus's economy rebounded after the crisis.

No doubt Lone Star had noted Cyprus has stabilised. System-wide bad loans have fallen 78 per cent, about €7bn lower, in the past five years. As a share of gross loans, NPLs stood at 11 per cent system-wide. Bank of Cyprus, with 40 per cent of the loan market, has done better, getting its ratio closer to 6 per cent at the end of June.

A rebound in economic growth should mean real gross domestic product expands 4.5 per cent this year. While links with Russian businesses linger, these now account for only about 2 per cent of outstanding loans.

Bank of Cyprus has returned to profit and expects to earn a return on tangible equity of 10 per cent in 2024.

This turnaround and bid interest have helped the London-listed shares rally 36 per cent this year, far better than the MSCI Europe banks index.

On this profitability, a simple regression of returns at European banks suggests it merits a valuation almost twice the 0.35 times tangible book value of Lone Star's latest offer. Even with a sizeable discount for past transgressions, the bank's shareholders deserve a higher price.

Not only shareholders but local regulators will need convincing. They will fear short-term capital gain control of a bank only recently nursed back to health. Watchdogs are rushing to enact blocking legislation. Even a higher offer may not win the deal for Lone Star.

in the past three decades. Singapore's celebrations should more than lift the spirits of Reits' local shareholders.

Dufry/Autogrill: happy meals

Swiss duty-free travel shop operator Dufry this week announced its new purpose, making travellers "happier". Its investors could do with a lift too. Despite airports bursting with passengers, Dufry's share price has recovered only modestly. It wallows closer to its March 2020 lows than pre-pandemic peaks.

This route to happiness begins with Dufry's "smart" airport stores. Creating what Dufry grandly calls its "travel

experience revolution" will involve extra capital expenditure amounting to 50 basis points of sales. Overall capital spending will be 4.5 per cent of sales in the medium term. That is more than double what it was last year, and more than some investors expected.

That spending will constrain equity free cash flow conversion (from operating cash flow) to 20 per cent over the next two years. That is at least a quarter less than pre-pandemic. But it expects conversion to rise above 30 per cent in the following two years.

Diversification is another strand of Dufry's strategy. Expanding its footprint in the US and Asia-Pacific is meant to offer protection against a European downturn. Dufry also wants to increase the average amount of time customers spend in its shops. Its

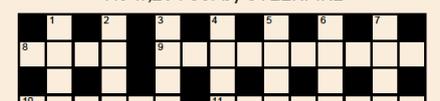
acquisition of food and beverage provider Autogrill, announced in July, should encourage customers to linger. This deal valued the Italian caterer's equity at between €2bn and €2.2bn.

Dufry has high hopes for operational improvements as well. In the next two years, ebitda margins are expected to rise by between 75bp and 100bp from the first half's 7.1 per cent.

But enhancing the pre-flight airport encounter hardly protects Dufry from any impending weakness in the world travel sector. Its valuation hints at that. Dufry at present trades on a forward EV-to-ebitda multiple of just under six, compared with an average of almost 10 over the past decade. An economic downturn could mean the pay-off from Dufry's push into "experience" shopping for travellers is delayed.

NIKKEI Asia The voice of the Asian century

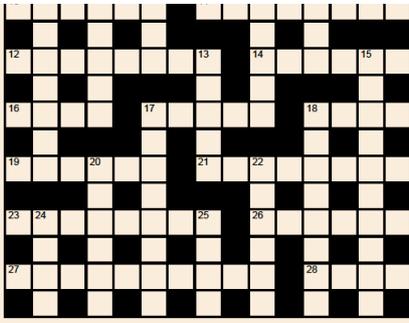
CROSSWORD No 17,204 Set by STEERPIKE



ACROSS
8 Appetite returns in middle of jiu-jitsu lesson (4)
9 Turns out partner is worried about society (10)
10 Arab members of militia ignoring old instructor, initially (6)

FT LIVE

Lex on the web
For notes on today's stories go to www.ft.com/lex



- 11 Warning about ringing university hospital is rot (8)
 - 12 River estuaries separated by grand locks (8)
 - 14 Sculpture of extremely beautiful charging horse (6)
 - 16 Barbarian swine retreating across central plateau (4)
 - 17 Tree evolves hollow shoots (5)
 - 18 That woman's written about a Judge (4)
 - 19 More convinced by upper-class extortionist (6)
 - 21 Note put pressure on teacher (8)
 - 23 Cut power after city church is besieged by angry mob (4,4)
 - 26 A state government department takes on women arbitrarily (6)
 - 27 Blessed types rejecting first electronic implants (10)
 - 28 Born and died in penury (4)
- DOWN**
- 1 Journalists ride bus to abandoned capital of Sumer (10)
 - 2 Might run into nasty gents on outskirts of Teignmouth (8)
 - 3 Unrest starts to spread to common (6)
 - 4 Everyone is depressed by *Bachelor Party* (4)
 - 5 Joint paper on British novelist making waves (8)
 - 6 Large island where Latin quarter essentially provides alcohol (6)
 - 7 Picking up standard membership fees for religious group (4)
 - 13 Melée of lowlifes surrounding queen (5)
 - 15 Attractive objects oldest son scattered around area (10)
 - 17 Feature supporting European summit (8)
 - 18 Racing suspended around deserted runway in Rhode Island (8)
 - 20 Polish that is put on small stones (6)
 - 22 Infrequent flights over drug (6)
 - 24 Ace airmen circling at a distance (4)
 - 25 Target of utter devotion, reportedly (4)

JOTTER PAD

Solution 17,203



Get the business insights you need to succeed in Asia Visit asia.nikkei.com

ITALY'S 2022 ELECTION

What next for the nation, business and Europe?

Webinar for FT Subscribers

27 September 2022, 1:00 PM BST/GMT +1
Digital Webinar



Ben Hall
Europe Editor
Financial Times



Silvia Sciorilli Borrelli
Milan Correspondent
Financial Times



Amy Kazmin
Rome Bureau Chief
Financial Times



Lorenzo Codogno
Founder and Chief Economist, *Lorenzo Codogno Macro Advisors*, Visiting Professor in Practice, *London School of Economics*; Visiting Professor, *College of Europe*

Find out more: italianelection.live.ft.com
#ItalianElection



FT SPECIAL REPORT

Energy Transition

Tuesday September 20 2022

www.ft.com/reports

Crisis spurs clean energy's big push to secure supply

Russia's weaponisation of gas thrusts geopolitics back to top of agenda, writes *David Sheppard*

Renewable power has long struggled to shake off an image of idealism in the hard-nosed energy world. But the energy crisis has presented an opportunity to change perceptions: clean energy is not only about reducing pollution or hitting net zero emissions targets; it is also about making countries more secure.

Today, the price of gas is trading at roughly 10 times the level it averaged over the previous decade, after Russia cut supplies to Europe in retaliation for western sanctions over its invasion of Ukraine. Electricity prices, often linked to the price of gas, have also soared. And that has pushed energy security to the top of the political agenda.

Governments are now pumping hundreds of billions of pounds and euros into schemes to support households and

businesses through this winter and the next. However, sections of the energy industry are calling for a longer-term solution. For renewable energy companies – and nuclear providers, too – this is a chance to demonstrate that they can be integral to an energy security policy.

Equinor, Norway's state-backed energy company and a pioneer in technologies such as floating offshore wind and hydrogen, has been tailoring its pitch to governments in light of the crisis. As well as being a friendly and reliable oil and gas supplier, it offers wind turbines that can provide countries with a supply source less exposed to international oil and gas prices.

"Over time, more energy will be needed and that energy needs to be more and more decarbonised but it also needs to be secure," says Anders Opedal, Equinor chief executive. "These days,



Setting store: Europe has responded by shipping in more LNG from the likes of the US and Qatar
Kurt Desjardens/PA

we need to balance oil and gas production with a move towards more decarbonised energy, which is good for Europe's energy security."

Nuclear operators have also been quick to talk up their energy security credentials. Many industry experts expect a renaissance for a sector that fell out of favour in many western countries in recent decades, particularly after the Fukushima disaster in Japan in 2011.

Patrick Fragman, chief executive of Westinghouse, which is planning to build new reactors in the UK as well as in eastern Europe, argues that interest was already rising before Russia's invasion of Ukraine, due to decarbonisation plans. Now, energy security is very much back on the agenda.

"Geopolitics has been driving energy markets for decades," Fragman says. "It had been forgotten a little while, but

now it's made a huge comeback. That drives considerations of energy security and long-term planning. We have a situation where the western world has realised it has fragile market structures. Nuclear is an inconvenient truth to meet these challenges of energy security and net zero targets."

The EU has already started to take big steps. Under its so-called REPowerEU plan, the European Commission says it aims to "drastically accelerate our clean energy transition" and be "independent from Russian fossil fuels well before 2030".

While Europe is initially replacing Russian gas with cargoes of seaborne liquefied natural gas from countries including the US and Qatar, the longer-term part of the project focuses on cutting reliance on imported fossil fuels.

Continued on page 2

"The western world has realised it has fragile market structures"

- Inside**
- 'Fast charging needed' to drive sales of EVs**
BP future mobility chief says present processes are 'uneconomic'
Page 2
 - EU renewables**
Tardy approvals and slow growth knock wind out of energy targets
Page 2
 - China electric cars lead**
Europe lags way behind in access to critical rare earths and lithium
Page 3
 - Rush into gas will have its consequences**
Crisis-driven demand for LNG poses asset threat
Page 4
 - France set to stage nuclear renaissance**
Long-unloved sector faces pressure to make up for lost ground
Page 4



We choose to be 100% green because we choose Earth

Learn more about EDP

edp Changing tomorrow now

Energy Transition

'Fast charging needed' to drive take-up of EVs

Transport

Big hubs can have cars ready to go again in 15 minutes, BP's head of future mobility tells Tom Wilson

If governments want to fast-track the mass adoption of electric cars, they should focus on the total capacity of vehicle charging networks, rather than the number of charge points, according to Richard Bartlett, head of future mobility and solutions at BP.

Bartlett, who runs the energy major's charging business BP Pulse, has a vision for the future of mobility in which vehicles are charged at home, at destinations like supermarkets and cinemas, or at large-ultrafast charging hubs on key transport arteries.

This shift would result in fewer of today's 'forecourts', but these could be replaced with bigger sites capable of charging hundreds of vehicles at the same time.

Having vast numbers of charge points scattered around a city or a country

quickly becomes "uneconomic", he argues. "You don't supply much power. It's a lot of maintenance when they go wrong... [and] customers get frustrated... so we believe it's more efficient for the grid, and the customer, to concentrate in fewer but larger latest-tech deployments."

One of BP's ultrafast chargers can deliver 1,000kWh a day if in use for a third of the time. Over the same period, a single lamppost charger would only deliver 40kWh.

"We have a deep conviction that the focus should be on high-speed charging, fast and ultrafast," Bartlett explains. About 50 per cent of BP's global charging network is fast or ultrafast but, in the first three months of the year, those chargers accounted for 95 per cent of all the EV energy BP sold.

Historically, though, the UK government may have put too much emphasis on the number of charge points, rather than the capacity of the network, Bartlett says. According to data collected by charging app Zap-Map, there were 33,996 electric vehicle charging points in the UK at the end of August, of which 8,398 were 'slow' chargers.

China has been quicker to embrace

the need for fast and ultrafast charging and eased regulation to make it easier for companies to acquire the land, permits and power connections needed to roll out large sites.

"In China, we just opened an ultrafast charging location from start to finish in less than 30 days," Bartlett points out. "In the UK and America, it can take up to two years."

A second Chinese site, which BP has recently acquired in the southern city of Shenzhen, has capacity to charge 480 vehicles simultaneously.

"The Chinese government has a very clear strategic goal: we are moving to

'In China, we just opened an ultrafast charging location in less than 30 days'

EV. And [as a result], EV is coming so fast there it's off the charts."

Last year, China accounted for more than 50 per cent of new electric vehicle sales globally, says Energy Intelligence. By May, electric vehicles represented

24 per cent of all cars sold in China, up from 13.8 per cent in May 2021.

Outside of China and the UK, BP Pulse says it has the biggest fast and ultrafast charging network in Germany, and now plans to expand in eight other European countries. It also has a growing presence in the US, Australia and New Zealand.

"To facilitate the mass adoption of electric vehicles, governments should think about where charging needs to occur and then create "the permitting and grid connection support to do it in a strategic way", Bartlett says.

"At the moment, there's a bonanza," he observes, "a land grab from companies, like us, just rushing out there going: 'That looks like a good location'. But only time is going to really tell what is a great location."

For the companies, he adds, it is important they get the software right to ensure the grid, the charging point, and the vehicle can communicate to make the charging process as efficient as possible. "We're a customer-first company in business but we are hugely dependent on product and software."

Other paths that BP is exploring include the installation of batteries at charging locations to store power for

periods of peak demand and the development of ultrafast charging for heavy goods vehicles.

The fastest electric vehicle chargers in the world today have a maximum output of 400kW, meaning a vehicle capable of accepting such speeds can be fully charged in about 15 minutes.

A charger able to deliver 1 megawatt could theoretically charge a heavy goods vehicle in about 40 minutes. That would enable it to be fully recharged during the 45-minute break lorry drivers are required to take every 4.5 hours under EU law.

Ultimately, electrifying vehicle fleets for ride-hailing, car hire and particularly the delivery of goods, will drive the biggest gains for electrification and influence how charging infrastructure evolves, Bartlett suggests.

"The forecourt will move to the depot of Amazon, to the airport for car rental companies, to hubs for people on the go, and to hubs for ride-hailers."

Electrifying work fleets will have the most impact on emissions. "If you want to dent carbon dioxide, the more you can take diesel trucks or vans off the roads and replace them with electric, the bigger the benefit for society," he concludes.



Crisis spurs clean energy's push to secure supply

Continued from page 1

Under the plan, the EU wants to have 17.5 gigawatts of hydrogen capacity within three years and has increased the renewables target to 45 per cent of power generation capacity by 2030, from a level of 40 per cent previously. That would add more than 200GW in additional capacity compared with previous proposals.

Henning Gloystein at Eurasia Group, a risk consultancy, says renewables companies are keen to emphasise their role in energy security, particularly as they - like fossil fuel groups - have been targeted with windfall taxes.

Many are earning larger profits than usual as electricity prices have soared, but they are aiming to focus attention on getting commitments to speed up new developments and cut red tape.

"The message is 'our profits will enable us to help you solve what is clearly a fossil fuel crisis'," says Gloystein. "They're already pushing this idea across Europe saying that they are the long-term solution, not just to hitting net zero targets but making countries more secure. But they need to be able to invest - and invest quickly."

Others are more sceptical that cleaner forms of energy will be able to com-

'Done in the right way, we can have electricity that is affordable and reliable'

Slow growth knocks the wind out of EU energy targets

Renewables Gaining permissions for clean fuel projects is the biggest hold-up, writes Alice Hancock



Raw base: prices for wind turbine materials have skyrocketed due to global supply issues — Francesco Mosca/Alamy

For years, six onshore wind farms due to be built in the picturesque Italian regions of Puglia, Sardinia and Basilicata were stuck in bureaucratic wrangles. Italy's ministry of culture argued that the sight of the wind farms was an eyesore. The ministry of ecological transition pushed back.

Gaining permission for wind parks in situations like this can take eight years. But, in March, Italy's highest executive body, the council of ministers, stepped in to secure the approvals. Roberto Cingolani, Italy's minister for ecological transition, said this highlighted the government's "commitment to the development of energy from renewable sources throughout the country".

All EU states are now realising this need for more renewable power, as they wake up to the dangers of relying on Russian gas. With Russia cutting supplies to the west, following opposition to its invasion of Ukraine, traditional thinking about a transition to cleaner fuel to combat climate change has been upended.

The process of moving from coal to gas to renewables has now become a

question of increasing coal power to see citizens through winter, while targeting as high a capacity of renewable power as possible. Nuclear power is also back on the table for some countries — even for those such as Germany that have been historically opposed to it.

In its RePowerEU proposals set out in May, the EU said it wanted to increase its already enlarged target for renewable energy from 32 per cent of total power production to 45 per cent by 2030. But, despite desperate attempts to speed up clean power production, hurdles remain.

The gas crisis "increases the motivation and the determination" for renewable energy, says Graham Weale, professor of energy economics at Ruhr University Bochum and former chief economist at German energy producer RWE. "But, on the other hand, it is increasing problems of cost and so on, which are hampering proposed developments." The EU's new renewables targets, he adds, are "fairly land figures".

The UAE-based International Renewable Energy Agency, an intergovernmental body, recorded the average EU capacity growth of onshore wind farms in the past five years as 8.3GW, with a

maximum annual increase of 9.9GW. To reach the EU's target, however, 26.8GW would need to be built each year.

It is a similar story for solar panels. Average EU growth over the past five years has been 13.7GW with a maximum achieved of 21.4GW. But the EU target requires 55.4GW of annual growth.

Waiting on permissions is the biggest hold up to progress. Projects that take months to build can take up to 10 years to receive approval, the European Commission has said. Legislation to speed up the process has yet to be adopted.

Nils Torvalds, a European Parliament member working on the EU's Renewable Energy Directive, says the environmental lobby can be obstructive in challenging the building of renewable parks on grounds that they may harm natural habitats. "Everyone knows some small species on the verge of extinction and that emotionality makes it difficult to find functioning solutions," he says.

At the building stage, parks face big supply headaches. Punishing price rises on materials for wind turbines and photovoltaic cells are in part due to Covid 19 in China, a leading parts supplier, and because of the Ukraine war.

Industry body WindEurope says the price of balsa wood needed for rotor blades is up 300 per cent since February. Steel prices have almost doubled and the cost of nickel, a commodity needed in the production of turbine components, has increased by 35 per cent.

Wind turbine manufacturers have typically signed contracts at fixed prices with developers, says Giles Dickson, WindEurope chief executive. With little sign of an end to price rises, though, these have become unsustainable.

Slow permission procedures also mean developers are fighting over a limited number of available sites: "They are competing for a smaller pie than they should be," Dickson adds. "So the prices that are winning auctions are not necessarily prices that are possible for manufacturing wind turbines."

In April, Sheri Hickok, GE Renewable Energy's chief executive for onshore wind, warned: "We have an inflationary market that is beyond what anybody anticipated even last year." She noted that suppliers were cutting jobs, too. "If the government thinks that on a dime this supply chain is going to be able to turn around and meet two to three

times the demand, it is not reasonable."

Once wind and solar farms are built, the final element is whether the grid is ready to cope with such intermittent power sources. Laurent Schmitt, utilities head at clean power company Dcbel, says: "While grids have, so far, not been major roadblocks to renewable integration, we should anticipate they will become bottlenecks."

More investment is needed, Schmitt argues, in storage capacity near clean energy sources, as part of a more dynamic effort to capture the benefit of sun and wind energy when it's around.

Weale points to a high court ruling in Germany stating that the government must do more to expedite the green transition. He says there may be political obstacles to a faster renewables roll-out, but "any problem can be solved by throwing a great deal of money at it."

However, he adds that a massive investment in renewables to make them a viable replacement for Russian gas would present a challenge to a fundamental EU precept that member states should not dole out huge amounts of state aid, lest it imbalance fair competition in the single market.

Support urged for workers seeking green skills

Retraining

Scotland provides test case for labour forces preparing for change from fossil fuels, writes *Nathalie Thomas*

For Lesley Cartwright, the Covid-19 pandemic, and subsequent downturn in the UK North Sea oil and gas industry, were the factors that pushed her to change career and seek work in renewable energy.

Cartwright, from Ayrshire in the west of Scotland, had been a technical professional in the oil and gas industry based out of Aberdeen in the north east for 15 years. But she was among thousands of North Sea workers who lost their jobs as global energy demand plummeted during coronavirus lockdowns.

Cartwright says she had already been a "bit disenchanted with the oil and gas industry" even before she was made redundant. So losing her job became a spur to shift to the cleaner side of the energy sector.

And her career change is the kind of move that climate campaigners and

many governments hope will be replicated by more oil and gas workers, in an effort to cut reliance on fossil fuels and meet stretching climate targets.

"I was quite lucky, I had a recruitment consultant [as] part of my redundancy, who helped me identify transferable skills," says Cartwright. Based just outside the East Ayrshire town of Kilmarnock, she is now a senior project manager at consultants Natural Power.

Given her job is based on project management, Cartwright did not have to undergo prolonged retraining. But, and depending on workers' role and type of employment, the shift from fossil fuels to green energy is not always so straightforward. Cartwright says she has since been asked "a lot of questions" from former colleagues in the oil and gas industry keen to make a similar move.

The workforce in north-east Scotland is something of a test case for what could happen elsewhere in the world. It has an ageing oil and gas basin and a fast-growing renewables industry, with offshore wind, in particular, forecast to undergo explosive growth in the next decade.

"This is a global issue and arguably the UK is ahead of the curve," says John Underhill, energy transition director at Aberdeen University. He chairs the



Lesley Cartwright: transferable skills

National Energy Skills Accelerator, an organisation set up to help the North Sea workforce prepare for a transition from fossil fuels.

The UK government made developing a "people and skills" plan — to ensure oil and gas workers find new opportunities — a key part of a "transition deal" struck with the North Sea industry in 2021.

For employees of big, integrated energy companies, such as BP and Equinor, the transition can be fairly smooth, with retraining paid for by their employer. As in Cartwright's experience, skills such as project management are more easily transferred.

But unions and climate campaigners warn of challenges for contractors and offshore workers, who also want to take advantage of the growth in renewables in Britain — by switching to offshore wind installations, for example.

A survey of more than 600 offshore oil and gas workers published last year, by climate organisations including Platform, Greenpeace and the trade unions RMT and Unite Scotland, found contractors were having to spend an average of £1,800 annually out of their own pockets to duplicate training. This was because there were different certification schemes — run by separate accreditation bodies — for the renewables and oil and gas industries.

Training organisations such as Optimo — a not-for-profit body based in Aberdeen — have since acknowledged the "fragmented approach" and, in March, promised a "digital passport" to allow offshore workers' existing training to be recognised across both fossil and green energy industries.

Even so, campaigners such as Rosemary Harris of Platform are frustrated at the pace of progress: "Workers are still finding it hard to transition, [are] worried about their futures and are still paying for their training at a time when

the oil and gas industry is making massive profits."

Underhill admits government funding to assist retraining is an issue in many markets. "Everywhere, financial support for this is scarce," he says.

In Germany and Sweden, the transition from oil and gas is throwing up similar challenges.

Philipp Schröder — chief executive of Bremen-based equipment supplier IKOMMA5, which helps consumers reduce emissions from their homes by fitting low carbon systems such as electric heat pumps — says it is hard for fossil fuel workers in technical positions, such as heating installers, to shift to the clean energy sector.

"Their main expertise is with hydronics," he notes. "They have no experience when it comes to electrification." Hydronics expertise is no use when it comes to fitting low carbon systems, adds Schröder, whose previous roles include Tesla's country director for Germany and Austria.

Companies such as his can restrain installers, but he says governments could help by paying 50 per cent of workers' salaries during that process. "Right now, we take the entire cost on our expense."

Energy Transition

Raw materials Asia dominates the production of lithium and rare earths, reports *Harry Dempsey*

Europe lags China in race for electric car supply chain

Since the car was invented in Europe 136 years ago, the industry has grown to become one of the foundations of the continent's economic growth and prosperity.

But, as China establishes greater control of the supply chain for electric vehicles, Europe's automotive sector faces one of the biggest challenges in its history as it tries to catch up.

And it will not just mean creating factories to build the batteries, says Emma Nehrenheim, sustainability chief at Northvolt, Europe's most advanced battery making start-up. It will involve the whole ecosystem of mining, refining and chemical engineering needed to supply them. "The one who owns processing capacity will be the one that controls and trades where material comes from," she says.

The EU has big ambitions for EVs, aiming to phase out sales of new petrol and diesel-powered cars by 2035. This month, the bloc's leaders said they plan critical raw materials' legislation to fund strategic projects and build stockpiles.

Vulcan Energy, which hopes to produce lithium, a key battery material, in Germany. "China has been several chess moves ahead for a while now."

Vulcan — in which Stellantis, the carmaker formed by the merger of Jeep owner Fiat Chrysler and Peugeot owner PSA, has invested €50m — illustrates the challenge. Lithium is dug up from hard rock in Australia and processed in China, or slowly evaporated from brines in Chile. Vulcan wants to start producing lithium in Germany from 2025 with a new, unproven technology, which pumps up brine and extracts lithium directly using geothermal energy.

But, beset by rocketing energy bills and rising borrowing costs, executives in Europe's battery and raw materials industry fear the continent will become reliant on Asian companies, including China's CATL, South Korea's LG Chem and Japan's Panasonic.

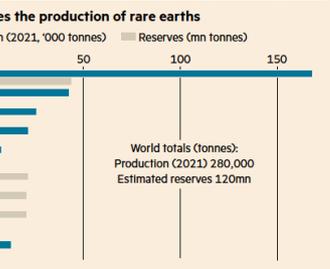
Roland Getreide, chief of Luxembourg-based Livista Energy, which is seeking to build lithium refineries in the UK and mainland Europe, says getting the supply chain ready for when electric



Ore inspiring: lithium is dug up from hard rock in Australia to be processed in China

in Europe supplied from Asia and a local European player procuring and supporting a local supply chain. Last month, CATL announced a mammoth \$7bn investment in a gigafactory battery production site in Hungary. "The battery makers from Asia that set up in Europe would bring in their materials in a semi-finished or finished form," says Mark Thompson, chief executive of Australian advanced materials company Talga. It is developing a project in Sweden to extract and process graphite, vital for battery anodes. Europe has almost no lithium and graphite operations. It is home to just one of the world's 15 battery-grade manganese sulphate producers and

avoid bringing materials in," says Thompson. Europe's auto sector also faces challenges in establishing a supply chain for electric motors, the second most valuable part of EVs. These need highly specialised permanent magnets that use rare earths, a collection of 17 elements that are extremely difficult to extract and process. China dominates the production and processing of rare earths, with an estimated 80 per cent global market share. Only one company in Europe's supply chain — Canada's Neo Performance Materials — is presently capable of separating rare earth materials for use in magnets. It has exploration rights for a



from a group tied to Andrew Forrest, one of Australia's richest men — further evidence that the future of Europe's automotive industry is enmeshed in a broader geopolitical and geological web. Constantine Karayannopoulos, Neo Performance Materials' chief executive, suggests Europe is only just recognising the key to China's dominance. "What the narrative is missing is that China is the largest producer of rare earths because it is the largest consumer of rare earths," he says. "The magnet industry has been driving the rare earth industry." Neo aims to make magnets in Estonia from 2024, to consume its separated rare earths. GKN in the UK is also exploring building EV magnets.

'China has been

However, China's lead in battery manufacturing for EVs is stark. It is expected to produce 76 per cent of global lithium-ion battery cells this year, compared with the EU's 7 per cent, according to Benchmark Mineral Intelligence. "There's a lot of ground to make up," notes Francis Wedlin, chief executive of

vehicle demand soars is at the fore of the industry's problems. Europe is trying to "compete with people who are 20 years ahead with cash flows already", he says. Even if Europe draws battery manufacturing investment, executives see a vast difference between Asian battery makers setting up "satellite" factories

accounts for only 9 per cent of global cobalt chemical supply, says critical minerals consultancy Project Blue. European battery makers would need to bring in materials from abroad for some time, since it takes far longer to develop mining projects than battery factories. "In the early days, you can't

rare earth mine in Greenland, the autonomous country within the kingdom of Denmark. Hastings Technology Metals, an Australian rare earth miner, recently agreed to take a 22 per cent stake in Neo Performance. But the deal is being funded by a A\$150m investment in Hastings

several chess moves ahead for a while now'

Project Blue founder Nils Backeberg says China continues to send reminders of its dominance. Last month, it raised its annual rare earth mining output quota, which Beijing uses to control prices, by 25 per cent to a record high. "This has re-emphasised that China holds all the cards."

UK refinery targets carbon capture and storage future

Emissions

India-based owner of Merseyside plant aims to play key role in plans to build a market for hydrogen, writes *David Sheppard*

North-west England's Stanlow oil refinery has stood near the banks of the river Mersey for almost 100 years. But, today, its managers want to ensure it has a low-carbon future over the next century.

It produces about 17 per cent of road fuels in the UK and some heavy investment is going into decarbonising the facility – funding plans to capture emissions and store them underground.

Essar Group, the India-based conglomerate, owns Stanlow and believes that, by deploying carbon capture, utilisation and storage (CCUS) technology, the plant will be able to prolong its life. It intends the business to play a key role in the UK's plans to build out a market for hydrogen, as a low-carbon fuel for heavy industry and transportation. "Our company view is that carbon capture will be an important part of manufacturing for our industry and that's why we're committing to it now," says Jon Barden, chief operating officer of Essar Oil. "We are firmly of the belief that delivering net zero [emissions] is a good thing for us as a business, as the transition for hydrocarbons will be a long one," he adds.

Much hinges on making CCUS a success. The UK government last year backed two CCUS clusters for fast-track development, including the HyNet north-west project that the Stanlow refinery is part of.

CCUS has a chequered history, with the UK government pulling funding in the last decade and doubts over the effectiveness of some international projects in operation.

But the UK government has committed to the technology and wants to have at least five industrial clusters around the country to enable the capture of emissions from heavy industry. Essar says the chemistry and engineering is widely utilised and understood in the oil industry – though generally for maximising output by reinjecting CO₂ into oilfields to squeeze out extra supply, rather than cutting emissions.

As part of the HyNet cluster in the north-west of England, the plant will be used to produce so-called blue hydrogen. Blue hydrogen is created from gas but with the emissions sequestered to create a low or zero carbon fuel. This can replace the gas used to provide power to run the facility and kick-start a wider hydrogen economy, by providing a low carbon fuel for other industries.

"We want to demonstrate that this is a viable technological solution and that we can implement and run it sustainably, as part of the company's own transition to lower carbon," Barden says. "The target is to get to net zero by 2040... but getting to 70-80 per cent of net zero is possible within 10 years."

"We are firmly of the belief that delivering net zero is a good thing for us as a business"

The International Energy Agency forecasts that, by 2030, 1.6bn tonnes of CO₂ will need to be captured if environmental targets are to be met. And, last year, Aurora, a consultancy, estimated that a quarter of UK energy demand could be met by hydrogen within three decades, powering energy-intensive industries as well as heavy duty transport, such as buses.

However, the Institute for Energy



Stanlow: high expectations

Economics and Financial Analysis this month criticised the development of CCUS. It argued that many projects had "failed to operate at their theoretically designed capturing rates", although it conceded that highly regulated plants in Norway had been more successful.

Essar says criticisms of the technology are overstated and, under its agreement with the UK government, its project would need to demonstrate a 97 per cent capture rate. It is due to start up in 2026.

While Essar believes that the transition from fossil fuels will take some time, requiring refineries to keep running, it sees opportunities in being an early mover in the CCUS field.

If road fuel demand falls sharply as anticipated next decade, with the UK set to phase out new petrol and diesel cars, the growth of CCUS may bring alternative revenue streams for oil refiners.

"What we're doing is going to be relatively straightforward to replicate at a large industrial scale, both nationally and internationally," Barden says. "We will have a configuration that will be easy to replicate for our industry and similar industries."

The investment totalling £750m is being made jointly with UK clean energy specialist Progressive Energy. Natural gas, and fuel gases from the plant will be converted to low carbon hydrogen, with carbon dioxide captured and stored in depleted offshore gas fields 60km offshore in Liverpool Bay. The refinery will be converted to run on hydrogen instead of natural gas.

This carbon capture remains controversial, though. Environmental groups argue it is preferable to utilise cleaner fuel sources, like renewables, that do not emit carbon dioxide at all. And the rise in natural gas prices has meant that "green" hydrogen – made with renewable energy powered electrolysis – has become more cost competitive.

But heavy industries believe they will need blue hydrogen for energy intensive processes. One of the quickest ways to develop it at scale is to twin gas-derived hydrogen with CCUS.

Barden argues that existing North Sea oil and gas supply chains mean the UK has the experience to be at the forefront of CCUS, and other developments to cut carbon emissions. "The UK is very well positioned to develop solutions for a transition to a lower carbon economy. If the country chooses to really go after this, it's a big prize."

FT LIVE

ENERGY TRANSITION SUMMIT

Accelerating the Delivery of Secure, Affordable & Clean Energy

17-19 October 2022 | In-Person & Digital | Royal Garden Hotel, London

Our line-up of C-Suites and global leaders includes:



Markus Krebber
CEO
RWE



Lord Browne
Chairman
BeyondNetZero



Francesco Gattai
CFO
Eni



Simone Rossi
CEO
EDF Energy



Lucy Yu
CEO
Centre for Net Zero



Connor Teskey
Global CEO
Renewable Power & Transition Group
Brookfield

Register your place now: energytransitions.live.ft.com

See the full list of **Energy & Commodities** events, including the upcoming **Mining Summit** (20-21 October) at live.ft.com

Headline Sponsors:




Associate Sponsors:












Energy Transition

LNG War shifts, for the time being, the direction in which the sector is moving, writes *Alan Livsey*

Rush into gas raises debate on stranded assets

In July, the European Parliament made a remarkable decision: it approved a law designating natural gas as a sustainable energy source. Until a couple of years ago, the EU wanted to remove gas from the energy mix as soon as possible. The European Investment Bank had sought to cut off financing of natural gas infrastructure projects – from pipelines to liquefied natural gas terminals.

But Russia's invasion of Ukraine has changed perceptions entirely. Instead of potentially stranding natural gas assets in the decade ahead, policymakers have shifted their attention to how they can keep the lights on and homes warm this

Europe recognise that the political necessity of replacing lost Russian gas will not come just from energy conservation. Up to last year, natural gas fuelled nearly a fifth of EU electricity generation.

Expect, therefore, more spending on LNG import terminals to regasify the fuel, which is brought to Europe on specialised tankers, especially to Germany. German dependence on Russian piped gas will have to end soon. Flows from Nord Stream 1, a direct pipe from Russia importing 115m tonnes annually, have slowed to a trickle. Its newer sibling, Nord Stream 2, never even opened for business this year, infuriat-



More in the pipeline: Europe is rushing to build liquefied natural gas terminals, as with this project in northwestern Germany — David Hecker/Getty Images

LNG exports to 2030: US leads, but is there trouble ahead?



leading exporters, Australia, and Qatar, by 2025 and become the world's largest, with capacity of more than 100m tonnes a year, says Neil Beveridge at Bernstein Research. That figure could double by 2030.

However, US LNG export terminals, built onshore, are much more costly propositions given that they liquefy the gas. Building these would cost at least four times as much per tonne of capacity than FSRUs.

And those US LNG export units already planned will require up to \$81bn alone by 2030, suggests Rystad.

At least some of these projects may therefore be stranded should Europe

winter. Tens of billions of euros of investment in gas projects will follow. It is part of scramble throughout Europe — especially in Germany, Austria and Italy — to find ways to reduce dependence on Russia's natural gas, which accounts for roughly a third of the continent's supply. Conserving demand is one way. Following this year's REPowerEU scheme, the EU has agreed plans to cut energy use by 15 per cent. For example, Germany has dimmed its street lighting, and Spain has put limits on heating and air conditioning use in most buildings. Ideally, the overall plan will phase out Russian imports by 2030. Yet even the greenest politicians in

ing Russia's leader Vladimir Putin. Nord Stream has become a stranded asset itself. Non-Russian corporate shareholders have written down the worth of the pipeline on their respective balance sheets. Nord Stream 1, piping gas since November 2011, had a combined stated value on the balance sheets of energy groups of up to €8bn until last year. Since then, minority shareholders, German utility Eon, France's Engie and Gasunie of the Netherlands have announced combined impairments of more than €1.2bn. As Europe rushes to build new LNG import terminals, will these become stranded in years ahead? Probably not in Europe, assuming all goes to plan.

sees a sudden change in Europe's LNG demand, from about 72m tonnes a year in 2021 to more than 110m tonnes a year from now until 2030. So a different and more flexible solution has come into vogue. Floating storage and regasification units offer a faster and nearly 40 per cent cheaper alternative. Usually, these are refitted LNG transport tankers which can quickly put the LNG into the local pipeline system. "There are few use cases better suited to FSRUs than Europe's situation right now," believes Ramesh. At least a few billion euros of investment on FSRUs are expected, with Europe having ordered 14 so far. If available, they may only need a year or less to

UAE Angola Source: Bernstein Research

connect to local pipeline systems. Other sustainable energy choices to replace gas — like wind and solar renewables, hydrogen and battery storage — need many more years of development. Most gas for Europe's needs will probably come from the US, though some may come from Asia and the Middle East. Turning gas into supercooled LNG in countries such as the US and Qatar requires much more energy and is usually performed onshore. By replacing Russia as a supplier to Europe, the US could leapfrog other

and the other large consumer of LNG — Asia — move from fossil fuel use in future decades. A soaring cost of gas has knock-on effects, too, in stranded asset terms. Global gas prices have rocketed so high — tripling in Europe this year to more than €230 per MW hour — that they have extended the economic usefulness of coal as a substitute (and thus coal mines), notes Trevor Sikorski of consultants Energy Aspects. He anticipates tight gas supply to 2025 and that gas will play an EU role until 2040. Few industry experts see a decline in natural gas demand soon. Europe and the US are investing heavily in it.

Some projects may well be stranded with a move from fossil fuel in future decades



POSITIVE MOTION | THE 2030 STRATEGY FOR A NEW CEPSA

POSITIVE MOTION

IT'S OUR AMBITION TO LEAD SUSTAINABLE MOBILITY AND ENERGY

It's to help our customers in their decarbonization journey.

It's the ambition to be leaders in the production of green hydrogen and biofuels.

It's to reduce by 55% the CO₂ emissions from operations by 2030 and become a Net Positive company that creates value.

DISCOVER OUR FULL COMMITMENT IN CEPSA.COM



France sets course for atomic power renaissance

Nuclear
Ambitious policy about-turn is fraught with concerns, reports Sarah White



Crisis reaction: nuclear steams back

As Europe's energy crisis and climate concerns swing momentum back behind nuclear power, the plans to build new reactor plants in France should have been a boost for an industry emerging from two decades of political reprieve and dried up order books. Instead, France's nuclear renaissance, one of the most ambitious of the revivals contemplated by a growing number of governments, has been fraught with concerns. Critics question whether constructors still have the knowhow to build reactors and deliver them on time, and whether they can find enough people to get the work done. "We'd been told for years: please, prepare yourselves to shut reactors," Jean-Bernard Lévy, the outgoing chief executive of state-controlled French nuclear site operator EDF, told a conference in Paris in August. He was flanked by a government minister as he delivered his rebuke and warned of a lack of qualified construction staff. "Clearly, we didn't hire people to build 12 reactors, we hired people to dismantle them," he noted. France had been Europe's nuclear energy champion for some time. A wave of plant construction between the 1970s and 90s gave the country its 56 reactors still standing today, before political and public sentiment began to waver. Opposition to atomic power, including from some environmentalists because of the difficulty in disposal of the most toxic nuclear waste, has since weighed heavily on the sector. It only began to be cast in a favourable light again in recent years thanks to one of its key attributes: low carbon emissions. Nuclear energy made a comeback at the COP26 environment summit in Glasgow last year, in discussions between world leaders over how to switch from fossil fuels. Russia's invasion in Ukraine in February, which exacerbated spikes in power prices as Europe scrambled to wean itself off Russian gas, then brought energy security back on the table in dramatic fashion. At COP26, "we stopped talking about objectives and started talking about implementation", says OECD nuclear

energy analyst Michel Berthélemy. "People realised nuclear had to be there alongside renewable energy. What happened with Russia's war in Ukraine also really changed things."

Now, the challenges raised by France's about-turn are being replicated the world over, following a long period in the wilderness for nuclear technology, exacerbated by the 2011 Fukushima accident in Japan.

In Europe, Belgium wants to delay its phase out of atomic energy. In Germany, the energy crisis has revived a thorny debate over whether to take another look at a technology it had long turned its back on. In Britain, plans have been confirmed for a new £20bn atomic plant to add to one under construction. Even in Japan, new reactors are being contemplated.

France's plan, outlined by president Emmanuel Macron in February, is to spend €52bn plan on at least six next

"We saw an industry that had forgotten how to build ... It didn't have the staff and the capacity"

generation European pressurised reactors. They are meant to replace ageing sites from 2035 and mark the first order for new plants in almost 20 years.

Macron (having in 2020 backed the now much-criticised shutdown of the Fessenheim plant in north-eastern France) called for all reactors that could be viably extended beyond their 40-year lifespan to be kept open

for at least 50 years, potentially up to 60. "That was a complete reversion for us," says Valérie Faudon, executive director of sfen, a science-based group in France that promotes the nuclear industry. "Since 2011, the only discourse had been that this would not be allowed."

"That narrative had really affected recruitment," Faudon adds, underscoring one of the main obstacles to getting the industry back into shape, as highlighted by EDF and its suppliers.

Confirmation of the new plants is good news for EDF, though, after years of clamouring for clarity from the government so that it may invest. The former electricity monopoly has embarked on a hiring drive and plans training schools in specialist skills, such as welding. Building a pair of new reactors as planned at Penly, in northern France, will require about 8,000 staff to move there, Faudon says.

However, some of the sector's problems derive from EDF's fiascos. Corrosion in some existing reactors has forced it into an unprecedented number of plant shutdowns, straining electricity supply in Europe at a critical time and adding fuel to the fire for nuclear power critics.

And the only French reactor commissioned as a prototype in the last quarter century, Flamanville 3 on the Normandy coast, is more than a decade over deadline and four times over budget.

"We saw an industry that had forgotten how to build," Berthélemy says. "It didn't have the staff and the capacity, and we also saw a regulatory framework that was not sufficiently stabilised, with constructors not understanding what the regulator wanted. You have to find the modus operandi not to repeat that."

By 2040, many of France's other reactors will be well over 50 years old. Training construction staff can take four years. Permissions for potential sites require public debates, discussions in parliament and regulatory approvals.

EDF has said that lessons from Flamanville will be helpful for new sites, including the company's overhaul of its IT to better organise projects and communicate with suppliers.

One encouraging lesson is that France's ambitious nuclear construction plan of decades ago — accelerated by the 1973 oil crisis — was started from scratch, notes Dominique Vignon, former boss of equipment maker Framatome. He simply says of today's plan, "it's a shame it's all come so late."

An FTfm SPECIAL REPORT

Responsible Investing

Tuesday September 20 2022

www.ft.com/reports



Biodiversity
The next big theme
in ESG investing

Page 2



Executive pay
Activists find a new tool
to bring about change

Page 2

Transition finance
Fund to help polluters
clean themselves up

Page 8



Advertisement


BUILDING BRIDGES
Aligning finance with sustainability

**A ground-breaking event
to align finance with sustainability.**

3 - 6 October 2022 | Geneva, Switzerland

participate. brainstorm. network.

04
DAYS

65+
EVENTS

100+
PARTNERS



www.buildingbridges.org

Advertisement

Finance, a key catalyst for change.

The 3rd edition of Building Bridges will take place from 3-6 October 2022 in Geneva and will showcase new dynamic approaches to align finance with the 2030 Agenda for Sustainable Development. The event will open with a high-level Summit and explore finance for nature, innovation in sovereign debt management, and sustainable agriculture and land use. The 2022 edition will also feature over 65 community-led discussions, workshops, and roundtables addressing climate change, emerging markets, fintech, social investments, transparency and accountability.



Connecting the Global North and South to develop common solutions

[Register Now](#)



Shaping the global sustainable finance agenda.

Building Bridges is a joint initiative launched by public and private entities in 2019 in Geneva to advance sustainable finance. By connecting the finance and international community, Building Bridges aims to accelerate the transition to a global economic model aligned with the Sustainable Development Goals. More than an event, Building Bridges stimulates international debate and shapes the global sustainable finance agenda. The initiative benefits from the expertise of a large network of international and private actors to address global challenges.

Building Bridges Founders

Finance Community



International Community



Swiss Authorities



04
DAYS

65+
EVENTS

100+
PARTNERS

www.buildingbridges.org

An FTfm SPECIAL REPORT

Responsible Investing

Tuesday September 20 2022

www.ft.com/reports



Biodiversity
The next big theme
in ESG investing
Page 2



Executive pay
Activists find a new tool
to bring about change
Page 2



Transition finance
Fund to help polluters
clean themselves up
Page 8



FTfm Responsible Investing

Biodiversity quickly rises up the ESG investing agenda

Natural capital
Species loss is now seen as a problem as big as climate change, writes *Harriet Agnew*

Two recent deals by one of Britain's top asset managers point to the next big theme in responsible investing: biodiversity, without which the planet has "no route to net zero".

Schroders, which manages £770bn in assets, last year bought a minority stake in data provider Natural Capital Research and then, in July, entered into a partnership with Conservation International to invest in

"natural capital" across south-east Asia. The deals reflect a belief that what gets measured gets managed – and client demand for investments that have a positive impact on the environment while also making a financial return.

"I've made natural capital a big priority for us," says Peter Harrison, chief executive of Schroders. "I think you're going to see a very significant amount of money flow into natural capital as people figure out that nature is a very large proportion of the answer to decarbonisation. There is no route to net zero without biodiversity."

Biodiversity is the living component of natural capital – a term for the stock of renewable and non-renewable natural resources such as carbon, water, soils, species, communities, habitats and landscapes. It

refers to species but also ecosystems, such as forests and coral reefs, which perform functions such as crop pollination, carbon sequestration, climate regulation, and flood protection.

However, scientists believe human mismanagement of the environment – notably through resource extraction, intensive agriculture, and climate change – is precipitating a sixth great extinction of plants and animals in Earth's history. And coronavirus has further focused attention on mankind's relationship with nature, after the wet market in the Chinese city of Wuhan, where both live and dead animals were sold for human consumption, emerged as the likely origin of the pandemic.

Loss of biodiversity is now considered as serious as climate change, and investors are increasingly realising

that they have an important role to play in conserving it.

The urgency is acute: "An ongoing, catastrophic loss of biodiversity is among the world's major environmental challenges," says sustainable investment house Generation Investment Management, co-founded in 2004 by former US vice-president Al Gore and financier David Blood.

As a result, biodiversity is "now the fastest developing ESG theme in global capital markets," notes Catherine Howarth, chief executive at responsible-investment group ShareAction. "In just three years, the issue has moved from being virtually ignored by mainstream institutional investors to being acknowledged by all."

Investors are addressing it in two ways: raising capital to put towards nature-based economic opportuni-



ties, and trying to analyse how portfolio companies are contributing to, or vulnerable to, biodiversity loss.

"We see biodiversity loss as a top global risk and, as an investor, we are trying to work out how this affects the value of our portfolios," says Rupert Krefting, head of stewardship at M&G

Activists see bosses' bonuses as tool for raising standards

Executive pay

Payouts are increasingly tied to climate or diversity metrics, writes *Patrick Temple-West*

Activists pushing for big business to take climate change, diversity and human rights more seriously have found a new tool: boardroom bonuses.

As executive pay surges past its pre-pandemic levels, they are seeking to tie bonuses to environmental or social goals. Chief executive pay at the 500 largest US companies by revenue hit a median of \$14.2mn last year, according to pay consultancy Equilar, sharply ahead of the \$12.3mn in 2019. Spending on private

jets for executives also hit a 10-year high in 2021.

Bonuses in these pay packages are typically linked to total shareholder return – meaning that, when the investing public benefits from a company's rising share price, so do executives through higher payouts. But, as activists seek to push companies to cut emissions and improve diversity, they are zeroing in on executives' wallets.

Before 2020, the year of Covid-19 and George Floyd's murder, the use of ESG factors in determining executive pay was barely tracked and not well defined. This year, 70 per cent of S&P 500 companies incorporated some type of environmental, social and governance (ESG) factor into executive bonus plans, up from 57 per cent a year ago, according to a July report from consultancy SemlerBrossy. Tying pay to diversity-and-

inclusion goals, or a carbon footprint, were the two factors that saw the largest year-on-year increases, the firm said.

At companies' annual meetings in the first half of this year, investors again pushed companies hard to link pay to environmental and social goals – with varying outcomes.

In Japan, investors challenged two companies to link pay to carbon reduction.

At JFE Holdings, Japan's second-largest steel producer, the management agreed to tie pay to climate progress before the issue went to a vote. "Remuneration-climate linkage is an increasingly important marker of credibility in company plans," notes Jason Mitchell, head of responsible investment research at JFE investor Man Group, which engaged with the company on climate concerns.

A second tussle on pay and climate at J-Power – involving



Man Group and two other shareholders in the electric utility – was less successful, though. In this case, the company was less co-operative with investors and the pay petition secured only 19 per

cent support from shareholders at a vote in June.

Investors have launched similar campaigns in the US.

A shareholder proposal at General Motors called on the company to link pay with

climate targets, but the petition drew only 16 per cent support from shareholders in 2021. However, investors scored a win at Valero Energy, a fuel refining and retail company, which agreed to make

FTfm Responsible Investing



Mining is believed to be driving biodiversity loss, a problem that King Charles, above, has tried to raise funds to combat Getty Images

Investments. "Analysis requires drilling down to specific issues at the local level and then engaging with companies at quite a granular level." Several capital-raising initiatives are under way. The Natural Capital Investment Alliance was created by Britain's King Charles and launched

at Davos in 2020, with Climate Asset Management, Lombard Odier, and Mirova as founding members. The NCI has committed to "mobilise" at least \$10bn towards natural capital assets this year. Firms have also launched investment products aligned to natural

capital themes, including Switzerland's Pictet Asset Management which has expanded its Global Environmental Opportunities portfolio to £7.1bn since it launched in 2011. The fund uses impact measurement tools to quantify the corporate world's contribution to species loss,

and then construct a portfolio that it says has a much lower biodiversity footprint than the MSCI All-Country World equity index.

But the investment industry still has a long way to go, according to ShareAction. Its most recent report, in 2020, found that, of the world's 75 largest asset managers, none had a dedicated policy on biodiversity, and only 11 per cent of asset managers had policies requiring portfolio companies to mitigate harmful impacts on biodiversity. It warned that biodiversity loss was often included in the generic integration of environmental, social and governance factors, and not scrutinised on a standalone basis.

Ways in which portfolios might be exposed to direct or indirect biodiversity risk have now been outlined by Legal and General Investment Management, one of the UK's largest asset managers. They include physical risk, such as the loss of access to raw materials; litigation and reputational risks, such as being involved in illegal deforestation via supply chains; the risk of increasing regulation; and systemic risk.

Biodiversity is "a hugely material and systemic risk for investors," warns Michael Marks, head of investment stewardship and responsible

investment integration at LGIM. "The ongoing challenge is assessing the severity of risk and nature of these opportunities, as natural capital and biodiversity loss is multifaceted and it can be location specific, geographically specific, but also sector and company specific."

One problem for investors is that there is no standard methodology for assessing and reporting biodiversity. This is about to change, though. Just as the Task Force on Climate-Related Financial Disclosures developed a framework for reporting risks and opportunities, and the GHG Protocol emerged to classify emissions into three scopes, so biodiversity disclosures are coming to ESG reporting.

A Task Force for Nature-Related Financial Disclosures is in the pipeline with a reporting framework that seeks to identify and assess nature-related risks and opportunities.

Harrison, the Schroders chief, says reporting on biodiversity is where reporting on climate change was five to 10 years ago. "Carbon is easier, we've now got Scope 1, Scope 2, Scope 3 classifications and reporting is improving quite rapidly," he points out. "But nature is much harder and requires a much deeper level of thinking in terms of what you do about it."



Kevin Johnson, Starbucks's former chief executive, earned a slice of his 2021 bonus by cutting plastic straws and methane emissions Stephen Brashear/Getty Images

'Pay-climate linkage is an increasingly important marker of credibility in company plans'

Man Group

pay changes based on climate without a shareholder vote.

Danielle Fugere, president of As You Sow, a non-profit that led the pay proposals at GM and Valero, wants ESG-linkage to involve long-term bonuses, rather than annual payouts. "The whole point is to incentivise outperformance and progress," she argues.

Some companies are acting on their own. Morgan Stanley analysts highlight Devon Energy — an oil and gas group with a big carbon footprint — that has added ESG metrics to bonuses to drive changes. These metrics include cutting gas flaring emissions and oil spills, as well as reducing serious injury accidents, the company has said. At Valero, ESG metrics include diversity, equality and inclusion goals.

Measurement works. Kevin Johnson, Starbucks's recently retired chief executive, earned a slice of his 2021 bonus by cutting the coffee chain's methane emissions and the use of plastic straws.

Asset managers are now pushing companies to do more than simply include ESG metrics in pay. AllianceBernstein has started to push companies to explain how progress on ESG pay metrics is measured and to disclose performance against those goals. "Ultimately, we want [companies] to include material, measurable ESG

metrics in their executive compensation plans," the firm said earlier this year.

AllianceBernstein has been one of the most forceful asset managers in demanding rigorous ESG pay metrics, says Brian Bueno, ESG leader at Farient Advisers, a pay consultancy. "[They were] one of the ones that stood out as actually encouraging the use of ESG measures," he says. Others "took a softer approach".

While climate concerns tend to be the dominant ESG factor, investors also say they want companies to tie pay to workplace diversity.

SemlerBrossy noted that Xylem, a water conservation company, is a rare example of a company that has baked social goals into annual and long-term bonuses. In 2021, it offered special performance stock bonuses on ESG goals. These shares comprise up to 15 per cent of total pay for all executives at the company.

"The attention on internal pay equity through a DEI lens is one of the headlines from this most recently completed proxy season," says Rich Fields, head of the board effectiveness practice at Russell Reynolds Associates, a leadership advice and recruiting consultancy. "Companies that have not yet been forced by shareholder proposals to grapple with it should be doing so voluntarily."



The perfect fit

Active in over 85 countries worldwide, MFEX by Euroclear serves over 2000 fund distributors and 2500 fund management companies. Our seamless digital, end-to-end B2B platform is a perfect fit for your trading & custody, fund distribution, data solutions and regulatory compliance.



www.euroclear.com

FTfm Responsible Investing

Funds warned of tricky grey areas

Regulation

Watchdogs are on the lookout for 'greenwashing', writes *Laura Noonan*

Forget about green – grey is the new dominant colour in high-level discussions about the environmental, social and governance credentials of investment funds. And that's because lawyers see vast grey areas in the way asset managers verify the environmental bona fides of their products – creating a risk of being sued.

"Here, in the US . . . regulators are hyper-focused on this concept of greenwashing," says Amy Roy, Boston-based partner of law firm Ropes & Gray. She points to the approach taken by the Securities & Exchange Commission in May when it charged BNY Mellon for misstatements about its ESG ratings, resulting in a first-of-its-kind \$1.5m settlement.

"Funds are pursuing ESG values and investment strategies in a number of different ways; the problem is that regulators are looking at this through a much narrower lens," she says. The SEC has a method of sorting ESG funds into "a few very distinct buckets", which means managers are forced "to make judgments about how to fit funds and their holdings into these categories, and how to define key ESG terms – judgments that the SEC has already shown itself prepared to second-guess".

The case against BNY Mellon involved six investment products that did not even claim to be ESG funds but were judged to have been covered by what the SEC said were "various statements" that either implied or represented "that all investments in the funds had undergone an ESG quality review". Roy says "the adviser was faulted because the ranking system it used didn't provide [ESG] scores for every single holding in those non-ESG funds".

She believes that, "now and in the near term . . . a lot of companies that find themselves and their disclosures [to be] a focus of the SEC may ultimately find themselves being used as examples" as the regulator feels its way. "The real harm is the reputational risk," Roy adds. "ESG is such an amorphous thing. There's so much in flux right now in terms of definitions, rules and how they apply that everybody is probably in a situation where they are a bit vulnerable."

There is a similar zeal for regulatory action on the other side of the Atlantic. Norway's consumer



watchdog has threatened lawsuits against clothing companies that over-egg their sustainability credentials. Similarly, the UK's Competition and Markets Authority, introduced a code for making environmental claims last year and said it would investigate whether consumers were being misled. Clothes, transport and fast-moving consumer goods were singled out as its first areas of focus.

Tom Cummins, a London-based

There is a zeal for regulatory action on both sides of the Atlantic

Daniel Acker/Bloomberg

'There's so much in flux . . . that everybody is probably a bit vulnerable'

dispute lawyer at Ashurst, says that, while there has not been much enforcement on ESG claims made by investment funds, "it's an area where there is increasing focus on the regulatory side in terms of what lawyers are advising their clients".

"We see developments in the US that preview events in this jurisdiction," he adds. "We do anticipate there will be more activity in this area given that sustainability isn't going away."

With scant legal precedent to work from, investment firms in the UK are going back to basics to ensure they are protected against any legal action.

"People are very, very aware of making sure that statements that are made around their approach . . . [tally with] what's happening on the ground," says Cummins' colleague Lorraine Johnson.

James Alexander, chief executive of the UK Sustainable Investment and Finance Association, is pushing the UK government to come up with a better framework than other jurisdictions and is on a panel advising the Financial Conduct Authority on sustainability disclosure requirements and investment labels.

He argues that funds should have to disclose "shareholdings that a reasonable investor might be surprised to see in a particular fund that's labelled in a certain way".

"It's really important to have a good regulatory framework in place that learns lessons from other places," adds his colleague Oscar Warwick Thompson, who argues that the EU's Sustainable Finance Disclosures Regulation has "become a fund labelling system by mistake" – instead of serving the wider purpose of strengthening investor protection.

The good news for investment firms on both sides of the Atlantic is that the prospect of being sued by investors, or any other private party, over ESG disclosures is pretty remote for now.

"They [an investor] would have to establish causation," explains Roy – in other words "that a fund's share price fall was caused by the alleged misstatement or omission in the fund's disclosures about ESG". Taking the example of the SEC's case against BNY, an investor bringing a legal action would have to overcome the "missing link" of "materiality".

"It's difficult to see how it would be material to a reasonable investor's decision making, whether the ESG ranking system scored every single thing in the portfolio as opposed to three-quarters of them, as was the case," Roy argues.

Cummins cites a similar obstacle in the UK: "the challenge the claimant faces is . . . showing they have suffered loss". Those challenges exist for claimants who have "standing", such as investors in a fund, and are much greater for those who don't, like people arguing that misleading ESG claims damage the whole planet and everyone on it. "That would be pretty difficult," says Cummins. "Under English law, you need to show that the defendant owed you a duty of care . . . generally those [broad climate change] claims have proven challenging."

The Universe of Data

More than just facts and figures.

Statista, founded 2007 in Germany, has evolved into a global data all-rounder. Helping you reach your research goal at light speed. With a mixture of aggregated data from partnerships and external sources and its own surveys and content, your data is always at the highest standard.

This Universe of Data offers both a quick overview and the ability to dive into industries to analyze and understand markets in detail – and all that in the blink of an eye. With over one million statistics and more than 80,000 topics from 170 industries, Statista serves as a reliable starting point for quick and comprehensive research. Our products and tools provide business data from trusted sources for your business – wide-ranging and concise at the same time.

Let us show you our platform:



www.statista.com



FTfm Responsible Investing

Credits face scrutiny as a corporate path to 'net zero'

Offsets
Product should only be used when other options exhausted, says *Camilla Hodgson*

From which budget does the money for carbon credits, which are used by companies to compensate for their emissions, come? Marketing? Or sustainability?

In August, analysts at BloombergNEF concluded that many of the major buyers of offsets were purchasing the units to burnish their reputations, rather than to achieve sustainability goals. Top buyers came from "heavy-emitting sectors", such as airlines and oil majors, and tended to be consumer-facing, the analysis found.

Trove Research made similar findings in August: while 35 per cent of 3,133 companies with net zero emissions targets had bought offsets, only 10 per cent had purchased a "meaningful" amount, defined as more than 10,000, over the past three years.

"The vast majority of firms use carbon credits to improve their climate reputation," says Guy Turner, founder of Trove Research.

Carbon credits — each of which is supposed to represent a tonne of emissions avoided or removed from

the atmosphere — have soared in popularity over the past two years, as concerns about climate change have gone mainstream. US carrier Delta Air Lines, for example, spent \$137mn to buy and use 27mn credits last year.

But who buys offsets, how companies use them, and the extent to which they are being relied on for the achievement of net zero goals is inconsistent. Also, despite the growing interest in offsets — which are generated by projects such as tree planting schemes — the credits have regularly come under attack from activists and researchers who say they do not always deliver the environmental benefits they promise.

Efforts are now under way to reform the system, with some industry groups working to thrash out what "good" offsets should look like, and others focusing on how companies should be using them. Any new guidelines will be voluntary, though, as the sector is unregulated.

Companies can want offsets for different reasons. Some buy credits in order to promote specific products as "carbon neutral". Some use them to compensate for polluting activities that they hope eventually to make clean. Others see offsets as a long-term investment — and acquire large volumes that they can either sell or use to help meet their long-term sustainability goals.

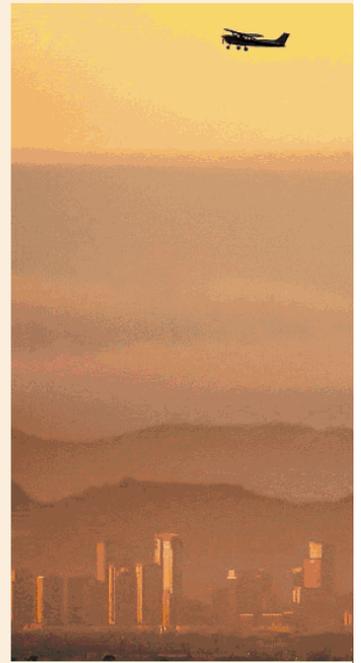
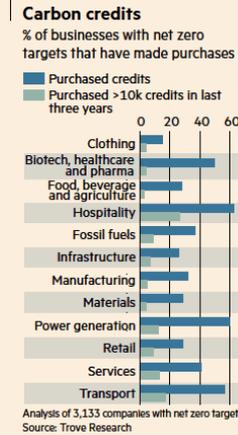
"We are experiencing growing interest in companies wanting to develop [offsetting projects]," says EcoAct, a consultancy and seller of credits. Whether buyers had a net zero target was "varied", and those that did might not have a clear strategy for achieving the goal, it added.

Appetite for credits also differs by sector. Trove found that 63 per cent of 48 fossil fuel companies with net zero targets had bought offsets, and a third had purchased a meaningful amount. But, in the food, beverage and agriculture sector, a third of the 209 companies with targets had bought credits, and only 3 per cent had purchased a meaningful number.

Most proponents of credits stress that they should not be the first tool companies reach for on their journey to net zero. Emissions should be reduced as much as possible, first, with offsets compensating for the rest, they say.

Some activists still argue that offsetting remains too cheap and easy to incentivise genuine change, with many credits available for less than \$5. But others say there is nothing wrong with companies using offsets in the short term to cover emissions they plan to eliminate later, provided they do not make false claims.

Purchasing credits "places a very specific price on carbon within a company that further incentivises



emissions reductions", Max Scher, senior director of sustainability at software company Salesforce, told a recent panel discussion.

But the issue of potentially misleading claims is gaining prominence, since companies have started using offsets to market goods as "green".

Energy groups including BP have begun selling "carbon-neutral" liquefied natural gas, and airlines offer the option to "offset" flight emissions.

Such claims can be difficult to understand, compare and verify, however — and have largely been self-policed. The Voluntary Carbon Markets Integrity Initiative, a multi-stakeholder group, is now developing guidance on when and how companies can credibly use offsets to make claims. They will need to be on track to meet "science-based" net zero targets, and use credits to cover a proportion of their current emissions.

Turmoil triggers fresh supply chain audit

Due diligence

Companies face legal, commercial and reputational risk, writes *Claire Jones*

Anahita Thoms has spent years cautioning clients about the dangers of not doing due diligence on suppliers. Her efforts are finally paying off.

"We've seen double the amount of interest in this topic in the past two years than we did the previous five," says the lawyer who runs Baker McKenzie's international trade practice in Germany. "It's not just about the legal risk, but

the commercial and reputational risk."

After years of neglect, companies and their investors are now having to ask more awkward questions about their suppliers — addressing what Nikolai Badenhoop, a fellow at the European University Institute, describes in a recent paper as "a blind spot of the green finance debate".

The answers, however, are often difficult to come by.

To properly address supply-chain risk, companies need information about the carbon footprints, biodiversity impacts, and working conditions of suppliers which, for a big multinational, can number in the "tens of thousands" according to Thoms. They will



often be based in parts of the world where information may be scant, and labour and environmental laws far removed from European standards.

Marie Navarre, head of sustainable research at Allianz Global Investors, thinks events

such as the Covid pandemic and Russia's invasion of Ukraine revealed how woefully unprepared the corporate world was for a big supply chain shock — but may, in turn, help address some of the information gaps.

Shortfalls in the just-in-time model, where supply chains have to be as efficient as possible in terms of delivery times and cost — often regardless of the political, social and environmental risks — are now clear for all to see.

"These two events have properly tested the supply chains of many companies and sectors for the first time, prompting significant expansion of the depth and breadth of internal and external supply

chain audits," Navarre says. "The measurability of supply chains has developed significantly in the last two years and [that] will continue."

Along with law firms, the Big Four accounting firms, tech firms, and rating agencies offer advice to those wanting to invest in companies with greener supply chains. Navarre's team uses data from analytics firms such as MSCI, Sustainalytics, Moody's-Vigeo, ISS ESG, S&P Global Trucost and RepRisk to accompany its own research. "We use multiple providers since each tends to have specific areas of strength," Navarre said. "The data is diverse and [offers] different coverage."

The onus on European firms

to invest more time and resources into supply chain due diligence will rise as the continent's lawmakers — who have increasingly led the way on setting rules to bring about a greener economy — look to raise standards.

In Germany, a new supply chain law comes into force at the start of next year. Companies with at least 3,000 workers must put in place systems to check whether or not their suppliers are abusing human rights, at the risk of fines of up to €8mn or 2 per cent of annual global turnover.

"The authorities will want to know if you've acted on red flags," says Thoms. "If one of your suppliers is in Bangladesh, for instance, and you are

FTfm Responsible Investing

Contributors

Harriet Agnew
Asset management editor

Chris Flood
Asset management reporter

Camilla Hodgson
Climate reporter

Claire Jones
International economy news editor

Laura Noonan
Financial regulation editor

Patrick Temple-West
Reporter, Moral Money

Conor Sullivan
Commissioning editor

Steven Bird
Designer

Daniel Pudles
Cover illustration

Alan Knox
Picture editor

For advertising details, contact:
Katharine Christian, +44 7557 943 514 and
katharine.christian@ft.com, or your usual
FT representative.

All editorial content in this report is
produced by the FT. Our advertisers have
no influence over or prior sight of the
articles.



Buyers of carbon credits tend to be heavy emitters, such as airlines

Luis Sinco/Getty Images

“There were adverts by companies saying they were ‘carbon neutral’ during COP26 [the 2021 climate summit] . . . Then you looked at the small print,” says Mark Kenber, executive director of the VCMI. The claims meant wildly different things, with some companies relying almost entirely on offsets, he notes. Kenber wants to see “clarity for customers, so we know what we’re buying”.

a clothing manufacturer, you are expected to ask more questions than if you’ve been working for the past years with a reputable business in Japan.”

Brussels is also working on a corporate sustainability due diligence directive. This would require any EU business with more than 500 employees and a global turnover of €150m to come up with a strategy to manage environmental and human rights standards across their supply chains, and ensure their business model is compatible with the limiting of global warming to 1.5C, in line with the Paris Agreement.

While the US has legislation requiring companies based there to ensure their suppliers do not use forced labour, the measures taken by European lawmakers are pioneering in their scope.

Once the EU’s proposal is finalised – something that is

expected to occur in 2023 – and becomes an EU act, the next step is for each member state not only to pass the legislation nationally, but also to task an official body with monitoring compliance.

Badenhoop believes the EU directive will help place supply chains “front and centre” of the green finance debate – and could have an impact far beyond Europe.

The prevalence of mobile phones may also make data easier to come by, meaning “information about supply chains can be gathered quickly and to an arguably higher standard,” says Tom Adams, co-founder of data firm 60 Decibels.

However, Thoms says the capacity to compile and analyse data is still not good enough. “When it comes to due diligence, we need better digital tools to manage it.”

LOOKING TO BUILD A SUCCESSFUL PORTFOLIO?

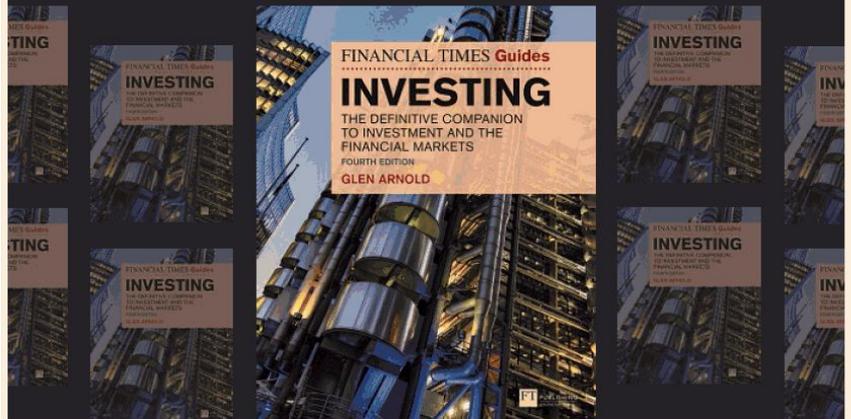
Read *The FT Guide to Investing* by Glen Arnold.

Whether you’re an experienced investor or just starting out, this fully updated title takes you from the basics of investment through to managing a sophisticated portfolio.

Read it and learn more about:

- The practicalities of buying and selling shares
- Different types of investment vehicles and risks and opportunities
- How to choose companies, understand their accounts and how to make the most of your money

Buy your copy at amazon.co.uk or your local bookshop



FTfm Responsible Investing

Asset management Brookfield's \$15bn climate-focused vehicle eyes businesses aiming to cut emissions, writes *Chris Flood*



Brookfield's head of transition investing Mark Carney, who says it is counter-productive to deny big polluters of investment to decarbonise — *Alamy*

Fund targets industrial transition

Hundreds of billions of dollars will be needed by heavy industries — such as steel, cement, and chemicals — if they are to swap fossil fuels for clean energy and help the world avoid catastrophic climate change.

And providing this funding is the goal of a first-of-its-kind fund from Canadian asset manager Brookfield. It plans to allocate half of the \$15bn it has raised to heavily polluting companies with the aim of accelerating their transition to greener, more environmentally sustainable, business models. If successful, it could encourage others to adopt similar strategies.

"We want to go where the emissions are," says Natalie Adomait, a managing partner in the team running the new Brookfield Global Transition fund, which is co-led by former Bank of England governor Mark Carney. In his role as UN climate envoy, Carney has argued forcefully that it would be counter-productive to deny high-emitting companies the investment needed to decarbonise.

Yet environmental campaigners are wary of providing more funding to companies that make some of the biggest contributions to global warming.

Paddy McCully, senior analyst at

sustainable investment campaign group Reclaim Finance, says the fund will prove a "green smokescreen" if it helps businesses to prolong their use of fossil fuels and does not accelerate closure of high-carbon operations. Brookfield also has fossil-fuel assets. It was part of a consortium that invested \$10bn in Abu Dhabi's gas pipelines business in June 2020.

The transition fund will also make allocations to renewable energy and other clean technology projects when Brookfield can be confident of "additionality" — environmental benefits that would not otherwise happen. "We won't just buy portfolios of existing renewable assets; we want to add new capacity," says Adomait.

As a private manager, Brookfield argues its ability to take majority control of a business should mean it is in a stronger position to deliver decarbonisation than a public fund manager that has limited ability to influence companies via engagement and voting as a minority shareholder.

Other private equity managers including KKR, Apollo, Bain, TPG and Generation Investment Management have also established "impact" funds that aim to deliver environmental benefits by supporting green solutions. But Brookfield says they do not directly target the highly pollut-

ing industries that it intends to transform.

Damian Payiatakis, head of sustainable investing at Barclays Private Bank, says the fundraisings show perceptions of investment opportunities associated with climate change are changing.

Brookfield is the largest investor in the new fund after making a commitment of about \$2bn. "We have access to scale capital to invest alongside us with the recent \$15bn closing of Brookfield's Global Transition fund — which is a meaningful advantage given increasingly volatile capital markets," said Connor Teskey, head

'We won't just buy portfolios of existing renewable assets. We want to add capacity'

of Brookfield's renewable power and transition group, in August.

Brookfield says the new transition fund will invest only in companies that have credible plans to align their businesses with the Paris agreement target of limiting global warming to 1.5C. It will aim to achieve reductions

in absolute emissions of its portfolio companies, as well as cuts in emissions intensity — where greenhouse gases are measured as a share of a company's revenues.

Verification of greenhouse gas emissions reporting by the fund will be provided by the accountant EY to assure investors that Brookfield is not "marking its own homework," says Adomait. But "Scope 3" emissions — the greenhouse gases emitted by a company along its supply chain and in the use of its products — will not be targeted by Brookfield because of unreliable data. Any performance fees earned by Brookfield will be based entirely on the fund's financial returns and not on the achievement of emissions reductions or any other performance metrics.

Brookfield believes assets in its climate transition business could grow to at least \$200bn over the next decade and Adomait says investors will refuse to participate in future fundraising rounds if they believe the inaugural transition fund is failing to meet its objectives. Investors in the inaugural fund include Ontario Teachers' Pension Plan, Temasek, PSP Investments and the Investment Management Corporation of Ontario.

The new transition fund has been constructed under the Operating

Principles for Impact Management, a framework designed to strengthen transparency and to address concerns of "impact-washing" — where managers make misleading or unjustified claims about their strategies. Third-party verification of the role of the manager in delivering impact strategy objectives is a key requirement of the framework.

BlueMark, a specialist impact verification consultant established in 2020, will provide an assessment later this year of the Brookfield fund.

"We benchmark impact funds against their peers to assess their alignment with best practice standards," says Christina Leijonhufvud, the chief executive of BlueMark, which has conducted 95 impact verification studies to date. "Our analysis goes beyond assessing compliance with standards, such as the Impact Principles, to also identify shortcomings and recommendations for improvement through robust analytical processes including interviews with key decision makers. It is investors' interests that we aim to protect."

Payiatakis agrees that scrutiny is all. "It is the quality and credibility of the impact measurement processes that will give confidence to investors that they are not being duped by greenwashing," he says.

Advertisement

Geneva, a unique ecosystem.

Home to the United Nations, hundreds of non-governmental organizations and finance institutions, the city of Geneva offers a unique ecosystem. The transition to a sustainable economic model will require the contribution of multiple stakeholders. Building Bridges connects asset managers and owners, sustainability experts, policy makers, activists, entrepreneurs, and young people from around the world to address challenges affecting both the Global North and South.



Connecting the Global North and South to develop common solutions

Register Now



Switzerland, a leader for sustainable finance.

Switzerland is one of the world's most ambitious locations for sustainable financial services. The Swiss government is underpinning this ambition with concrete projects:

- Swiss Climate Scores
- Testing for climate goal alignment
- Green Confederation Bonds
- Binding climate reporting by large companies

Learn more about these projects on the internet platform developed by the Swiss Government and the financial sector: www.finance.swiss



Download the Building Bridges App!

- Follow thought-provoking discussions on sustainable finance
- Engage with other leaders and changemakers
- Discover projects from the Building Bridges community
- Learn more about the latest trends in sustainable finance



www.buildingbridges.org

Advertisement



How Asset Owners can... capital toward... S...



Creating synergies to advance the sustainable development goals

Building Bridges is a collaborative effort that aims to advance sustainable finance in Switzerland & around the globe. This event is made possible through the generous support of our sponsors.

Building Bridges 2022 Sponsors

Diamond Sponsors



Platinum Sponsors



Gold Sponsors



Silver Sponsors



Bronze Sponsors



With Support From



October 3 - 6, 2022 | Centre International de Conférences Genève (CICG), Geneva, Switzerland

www.buildingbridges.org