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Airlines set to consume 100bn gallons of jet fuel this year amid uncertain price

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GULF TIMES
BUSINESS

MARKET DYNAMICS: Page 2

Energy sector trends on spotlight at TotalEnergies Qatar Al Reyada seminar

Qatar records QR43mn venture capital investments in 2023, says QDB

As much as QR43mn worth of venture capital investments in Qatar were recorded in 2023, according to Qatar Development Bank's (QDB) latest report, in collaboration with MAGNiTT research platform.

The report further stated that a total of QR475mn was channelled into 187 startups over the 2016-2023 period, contributing to 224 venture capital deals.

During a five-year period, Qatar maintained a 17% compounded annual growth rate (CAGR) in investments and a 10% growth rate in deals, despite the decline that affected the performance of the global venture capital ecosystem due to geopolitical conditions and rising interest rates, which contributed to the decrease in the total value of investments in Qatar in the past year.

The report also showed that five of Qatar's top-performing industries accounted for 77% of venture capital flows into the country with manufacturing leading at 36% followed by fintech at 15% and healthcare technology at 12%.

According to the report, QDB raised their capital disbursement in 2023, witnessing a 95% increase compared to the prior year. Furthermore, the bank's investment portfolio companies contributed to the creation of over 825 high-skill jobs, marking a 38% growth from the previous year.

In a statement, QDB emphasised that the report provides insights into Qatar's venture investment landscape, last year's capital flows, including ones provided to start-ups in the tech sector and the bank's contribution to the development of the entrepreneurial ecosystem.

The report showcased that Qatar has maintained its position among the five most active countries in the Middle East and North Africa in 2023, accounting for 6% of total deals in the region.

Five of Qatar's top-performing industries accounted for 77% of venture capital flows into the country with manufacturing leading at 36% followed by fintech at 15% and healthcare technology at 12%, according to the report

QDB CEO Abdul Rahman bin Hesham al-Sowaidi said the report reflects QDB's staunch commitment to enhancing transparency when it comes to the performance of Qatar's venture investment landscape and the bank's efforts to provide entrepreneurs with access to information and reports that offer an integrated view of the various available financing solutions.

"The report also represents a tool that the bank and other stakeholders can leverage to attract new investors and expand venture investments in the private sector. We continue to foster Qatar's investment landscape by developing and offering various investment programmes throughout the different stages of business growth, including our seed funding programme Ithmaar and our growth funding programme Istithmar.

"Last year, we added our co-investment programme, which aims to support investors and investment funds from the private sector. The bank will continue to launch initiatives to bolster its contribution to the local economy, develop talent, and enable the private sector to tap this industry by leveraging the appropriate investment tools," al-Sowaidi said.

Philip Bahoshy, CEO and founder of MAGNiTT, said Qatar's venture capital ecosystem represents a pillar of progress across all industries.

"We are pleased to cooperate with Qatar Development Bank for the fourth consecutive year to issue our annual 2023 report on venture capital in Qatar. The report serves as an outstanding tool for understanding and enhancing transparency in Qatar's ever-evolving venture capital ecosystem.

"This year, we noticed a major shift in investor trends, as is the case in other Mena markets. Business accelerators have significantly increased their share in the venture capital market from 16% in 2022 to 31% in 2023. At the same time, they continued to strengthen their presence, accounting for 23% of total deals in 2023 representing the largest increase in the Mena region," Bahoshy said.

Qatar Chamber explores strengthening co-operation with China's ICBC

Qatar Chamber acting general manager Ali Saeed bu Sherbak al-Mansouri held a meeting yesterday with the Industrial and Commercial Bank of China (ICBC) in Qatar general manager Weichao Wang. The meeting focused on enhancing co-operation between both sides to facilitate the entry of Qatari companies into the Chinese market and vice versa. During the meeting, Wang invited the chamber to participate in the '7th China International Import Expo', which is scheduled on November 5-10 in Shanghai. Speaking at the meeting, al-Mansouri lauded the close relations between Qatar and China, especially in economic and commercial fields, noting that China is one of the most important trade partners for Qatar. The chamber welcomes the invitation, al-Mansouri noted, emphasising the expo's significance for companies looking to expand their exports to China and explore new destinations for their products. Wang reviewed the financial services provided by the ICBC in Qatar, noting that the Qatari market is important for the bank. He also said the bank has formed partnerships with many leading companies in Qatar.

QICCA names Ibrahim Shahbik as its secretary-general

Sheikh Khalifa bin Jassim al-Thani, who is both chairman of the Qatar Chamber and the Qatar International Centre for Conciliation and Arbitration (QICCA), recently issued the appointment of Ibrahim Mohamed Shahbik (***pictured***) as QICCA secretary-general.

Shahbik joined QICCA in 2015 as a legal researcher and was later promoted to assistant secretary-general in 2016. He holds a Master's degree in International Trade Law from Hertfordshire University in the UK and a Licence in Law from Cairo University.

He has served on several committees and events, including member of the Committee of the 2015 Conference of Lawyers and Arbitrators, vice-chairman of the Committee of the Second International Arbitration Conference in 2016, and as member of the QICCA Committee.

Additionally, he has served as a representative of the chamber's Crisis Management Committee at the National Command Centre (NCC) and a member of the Patent Grievances Committee.

Mazaya Qatar plans new projects to boost realty portfolio, revenues

By Santhosh V Perumal
Business Reporter

Mazaya Qatar is contemplating new projects this year as part of efforts to strengthen its real estate portfolio and enhance revenues.

The company's two projects in Lusail – Voya and Vera Towers – are expected to be completed by 2026, its chairman Sheikh Salman bin Hassan al-Thani said in the board of directors' report, which was presented before the shareholders at the annual general assembly meeting.

"During 2024, Mazaya will continue its activity in the real estate development sector with new projects that contribute to the development of its real estate portfolio and enhance the company's revenues," he said.

The focus will also be on developing vacant lands and fully exploiting assets to generate returns, he said, adding in the coming years, it will continue its operations in developing its services, maintaining its partnerships, and contributing to national development in alignment with Qatar's objectives in the third phase of the Qatar National Vision 2030.

The meeting, presided over by Ibrahim Jeham al-Kuwari, vice-chairman, approved the financial results of 2023 and the 2.5% cash dividend.

Regarding income-generating assets, Mazaya Qatar's portfolio has been enhanced with new income-generating assets, the latest being "Gold Plaza Complex."

As a result, the number of units owned by the company that are available for lease in both residential and commercial sectors has reached 1,694 units, with the occupancy rate across all units reaching approximately 98%.

As for the plots owned by it, Mazaya Qatar's portfolio included five plots both within and outside Qatar. Mazaya Qatar has four plots in Dubai, of which it sold three in the Rawaiya area in a deal worth QR32.3mn, while it currently considering either to develop or sell its existing plot in Dubai Island.

He said company is currently studying the development of a project on Al Meshaf plot and will announce it upon completion of the study.

The Voya residential tower project includes 119 residential units, ranging from apartments and chalets, offered for sale.

The residential units vary from one-bedroom units to four-bedroom units. The tower provides comprehensive amenities such as outdoor activities, swimming pools, gym and health club, as well as direct access to the beach for recreation and marine sports.

The Vera Tower comprises 91 residential units spread across 14 floors, with an additional two penthouse floors.

The residential units feature a contemporary and practical design; offer a variety of one and two-bedroom options, each with balconies providing private outdoor spaces for residents. The tower also provides comprehensive amenities, including outdoor activities, swimming pools, a fully equipped fitness club, in addition to a designated children's play area.

Sheikh Salman bin Hassan al-Thani, Mazaya Qatar chairman, and Ibrahim Jeham al-Kuwari, Mazaya Qatar, vice-chairman.

BUSINESS

The Al Reyada Energy Seminar 2024 organised by TotalEnergies Qatar, successfully concluded in Doha, engaging some 232 participants from both the industry and leading academic institutions.

Energy sector trends on spotlight at TotalEnergies Qatar Al Reyada seminar

The Al Reyada Energy Seminar 2024 organised by TotalEnergies Qatar, successfully wrapped up here, engaging some 232 participants from both the industry and leading academic institutions.

The three-day seminar themed 'The Dynamics within the Energy Market', facilitated a deep dive into the energy sector's evolving trends.

Participants engaged in a broad range of energy-related topics guided by experts from the TotalEnergies Professors Association and other distinguished speakers.

The event also featured interactive workshops and team-building activities, fostering networking and collaborative learning.

Guest speaker Abdul Rahman al-Baker, manager, Department of Production Planning and Business Development at Qatar General Electricity & Water Corporation (Kahramaa) also presented the Qatar National Renewable Energy Strategy (QRES) launched in January 2022 to develop a comprehensive roadmap for developing Qatar's renewable sector.

Participants engaged in a broad range of energy-related topics guided by experts from the TotalEnergies Professors Association and other distinguished speakers

In his address at the event's conclusion, Mansur Zhakupov, country chair and managing director at TotalEnergies EP Qatar, reflected on the seminar, saying "The Al Reyada Seminar has established itself as a credible platform for learning about energy, enhancing our collective understanding and foresight in the sector. We are committed to nurturing the next wave of energy professionals through such enriching initiatives."

He expressed gratitude to TotalEnergies Professeurs Associés (TPA) for sharing their expertise throughout the event, as well as all attendees, including speakers, participants and attendees from QatarEnergy, QatarEnergy LNG, Dolphin Energy, North Oil Company, Kahramaa, Qapco, Qatar Chemical Company Ltd (Qchem), Qatar Science and Technology Park (QSTP), Qatar University, University of Doha for Science & Technology (UDST) and Hamad Bin Khalifa University (HBKU), for their roles in the seminar's success.

"Looking ahead, we remain eager to continue to stage these valuable discussions and to contribute to the ongoing development of Qatar's energy sector through our 'Tamkeen' programme and future editions of the Al Reyada Energy Seminar", Zhakupov concluded.

Abdulaziz Mohamed al-Mannai, executive vice-president (Human Capital) at QatarEnergy praised the seminar's collaborative environment and said, "Al Reyada creates a platform for dialogue and provides valuable insights that are key to advancing our grasp of the energy market's dynamics. We value the opportunity to contribute to this impactful programme".

QSE MARKET WATCH

COMPANY NAME	Lt Price	% Chg	Volume
ZAD HOLDING CO	14.70	-0.47	126,332
WIDAM FOOD CO	2.10	-0.47	208,472
VODAFONE QATAR	1.75	-0.74	4,552,519
UNITED DEVELOPMENT CO	1.11	1.09	12,425,259
SALAM INTERNATIONAL INVESTME	0.64	-0.16	580,183
QATAR & OMAN INVESTMENT CO	0.86	2.01	770,010
QATAR NAVIGATION	11.29	-0.18	1,224,877
QATAR NATIONAL CEMENT CO	3.70	0.00	325,090
QATAR NATIONAL BANK	14.71	0.07	2,056,047
QLM LIFE & MEDICAL INSURANCE	2.20	0.46	47,000
QATAR ISLAMIC INSURANCE GROU	8.99	0.40	182,072
QATAR INDUSTRIAL MANUFACTUR	2.70	1.47	213,936
QATAR INTERNATIONAL ISLAMIC	11.12	0.72	596,960
QATARI INVESTORS GROUP	1.68	0.48	1,529,434
QATAR ISLAMIC BANK	19.47	-0.21	493,105
QATAR GAS TRANSPORT(NAKILAT)	4.16	-2.78	4,952,933
QATAR GENERAL INSURANCE & RE	1.10	0.00	-
QATAR GERMAN CO FOR MEDICAL	1.41	-0.43	1,393,459
QATAR FUEL QSC	14.75	-1.01	793,643
LESHA BANK LLC	1.32	0.30	771,417
QATAR ELECTRICITY & WATER CO	16.26	-0.55	494,355
QATAR EXCHANGE INDEX ETF	10.10	-0.39	2,520
QATAR CINEMA & FILM DISTRIB	3.10	0.00	-
AL RAYAN QATAR ETF	2.33	-0.34	10,700
QATAR INSURANCE CO	2.33	-1.77	100,243
QATAR ALUMINUM MANUFACTURING	1.31	0.85	6,320,523
OOREDOO QPSC	10.59	-1.12	1,436,289
ALIJARAH HOLDING COMPANY QPS	0.70	-1.96	6,264,471
MAZAYA REAL ESTATE DEVELOPME	0.68	-2.29	8,754,887
MESAIEED PETROCHEMICAL HOLDI	1.92	0.37	4,592,974
MEKDAM HOLDING GROUP	4.78	-0.04	484,577
AL MEERA CONSUMER GOODS CO	13.06	0.38	100,368
MEDICARE GROUP	4.52	-1.05	699,116
MANNAI CORPORATION QPSC	4.16	-0.79	363,647
MASRAF AL RAYAN	2.51	0.08	5,378,802
INDUSTRIES QATAR	12.13	0.50	2,455,266
INMA HOLDING COMPANY	3.98	-0.60	63,062
ESTITHMAR HOLDING QPSC	1.94	1.14	4,354,070
GULF WAREHOUSING COMPANY	3.39	-0.18	1,679,387
GULF INTERNATIONAL SERVICES	2.84	-1.56	2,080,748
AL FALEH EDUCATION HOLDING	0.75	-3.23	190,068
EZDAN HOLDING GROUP	0.85	0.00	1,741,800
DOHA INSURANCE CO	2.40	-0.21	151,209
DOHA BANK QPSC	1.52	-0.98	7,013,898
DLALA HOLDING	1.31	0.62	706,821
COMMERCIAL BANK PSQC	5.06	-0.20	1,866,130
BARWA REAL ESTATE CO	2.89	-0.28	1,645,586
BALADNA	1.22	-4.33	8,443,084
DAMAAN ISLAMIC INSURANCE CO	3.82	0.00	-
AL KHALEEJ TAKAFUL GROUP	2.59	-0.95	263,326
AAMAL CO	0.78	-0.77	1,191,126
AL AHLI BANK	3.96	-0.48	65,863

Evergrande's alleged $78bn fraud is among biggest ever in history

Bloomberg
Hong Kong

China Evergrande Group's alleged $78bn revenue overstatement escalates the legal peril of founder Hui Ka Yan, who now stands at the centre of one of the biggest financial fraud cases in history.

The nation's top securities regulator said the developer's onshore unit inflated revenue by recognising sales in advance in the two years through 2020 that led up to its default. It imposed a 4.18bn yuan ($581mn) fine against the unit.

Evergrande's alleged fraud dwarfs that of Luckin Coffee Inc and Enron Corp, dealing a blow to the reputation of its former auditor PricewaterhouseCoopers LLP and the country's financial oversight. It fuels concern about how widespread such accounting issues are, just as the new China Securities Regulatory Commission chairman is trying to tighten oversight.

The fine also means Evergrande, with about $332bn in liabilities, will have even less money to pay off global creditors, despite a Hong Kong court ordering the company to be liquidated in late January.

"The alleged fraud is shocking in its scale," said Brock Silvers, managing director at private equity firm Kaiyuan Capital. "Hui became an expected civil and criminal target as soon as Evergrande was ordered into liquidation."

The allegations mark the latest blow for Hui, once among Asia's richest tycoons, who oversaw a sprawling empire that spanned real estate to electric vehicles. Evergrande was one of China's biggest developers, taking on massive debt to expand across the country as condo sales boomed.

The CSRC's action may pave the way for more serious charges against Hui, who was detained by police last year due to "suspicion of illegal crimes." No criminal charges against Hui have been made public and his whereabouts aren't known. The levies are administrative penalties.

Regulators allege Hui instructed other personnel to "falsely inflate" annual results. The onshore unit Hengda Real Estate Group boosted its 2019 revenue by about 214bn yuan, and another 350bn yuan in 2020, the regulator said. The inflated figures accounted for half of Hengda's total revenue in 2019, and 79% in 2020.

As the supervisor in charge, Hui used particularly "egregious" means, the regulator said. Hengda also used these inflated figures in marketing to issue a combined 20.8bn yuan in bonds, the regulator said.

HSBC welcomes more Qatari graduates

HSBC Qatar has welcomed 33 Qatari-sponsored students to its Sponsorship Programme in its latest recruitment cycle as part of its ongoing investment in Qatari talent.

Abdul Hakeem Mostafawi, CEO of HSBC Qatar, said: "One of the four pillars of HSBC's strategy is to 'Energise for Growth', which means creating a dynamic culture where the best people want to work. The enlistment of new talent underscores our commitment to developing and retaining individuals with the ambition to work in an organisation that values personal growth and development. These young people are truly outstanding talents and we look forward to seeing them develop as integral members of our team."

HSBC Qatar's workforce now has 37% Qatari nationals and continues to build on a strong talent pool.

Mohamed al-Sultan, head of Human Resources at HSBC, highlighted the bank's commitment to fostering growth: "We offer a unique working experience that has many opportunities for learning, travelling, and growing locally and internationally. Aspiring employees are impressed by the bank's progressive approach to hybrid working and achieving a sustainable work-life balance for our colleagues."

HSBC has been working closely with the Ministry of Labour in the development of this programme. The initiative includes comprehensive on-the-job training and provides opportunities to work across various business areas within the bank. Additionally, recruits benefit from mentorship from established HSBC specialists who guide them through their personal and career development journeys.

Hussain Ali al-Sharshani, head of Nationalisation and Local Talent at HSBC Qatar, expressed gratitude to the Ministry of Labour for supporting the programme and underscored how this collaboration helps align the bank's strategy with the national vision. The bank's workforce now has 37% Qatari nationals and continues to build on a strong talent pool.

The sponsorship programme offers students a monthly salary while studying and an opportunity to gain valuable work experience to develop their skills.

IMF reaches staff level accord with Pakistan to disburse $1.1bn

Reuters
Islamabad

The International Monetary Fund said on Wednesday it had reached a staff level agreement with Pakistan, which if approved by its board, will disburse $1.1bn for the South Asian country's broken economy as it struggles with a balance of payment crisis.

The funds are the final tranche of a $3bn last-gasp rescue package Pakistan secured last summer, which averted a sovereign debt default. Islamabad is also seeking another long-term bailout.

"The IMF team has reached a staff-level agreement with the Pakistani authorities on the second and final review of Pakistan's stabilisation programme," the IMF said in a statement.

"This agreement is subject to approval by the IMF's Executive Board," it added.

The deal expires on April 11 and while Pakistan has yet to be added to the IMF's executive board's calendar, officials say board approval is expected sometime in April.

The deal comes after the IMF mission held five days of talks with Pakistani officials to review the fiscal benchmarks set for the loan.

"Pakistan's economic and financial position has improved in the months since the first review, with growth and confidence continuing to recover on the back of prudent policy management and the resumption of inflows from multilateral and bilateral partners," the IMF said.

However, growth is expected to be modest this year and inflation remains well above target, as Pakistan needs more policy reforms to address its "economic vulnerabilities", the lender added.

Pakistan's sovereign dollar bonds rallied, with several gaining more than 1%. All of its sovereign dollar bonds were trading above 75 cents on the dollar after a remarkable rally so far this year. The 2026 maturity was bid at 88.53 cents, 21 cents higher than in January and more than 50 cents above its level a year ago. The IMF said Pakistan had expressed interest in another bailout during the review talks, with discussions on a medium-term programme expected to start in the next few months.

Prime Minister Shehbaz Sharif told his cabinet on Wednesday that Pakistan needed a new IMF loan, adding that increasing the tax base was mandatory for securing this deal. "The IMF agreement will improve the country's economy," Finance Minister Muhammad Aurangzeb said in the cabinet briefing, according to a statement from Sharif's office.

Selling pressure in transport, insurance and telecom sectors drags QSE 24 points

By Santhosh V Perumal
Business Reporter

Reflecting the caution in the regional markets, and ahead of the US Federal Reserve's meeting on rates, the Qatar Stock Exchange yesterday declined more than 24 points.

The transport, insurance and telecom counters witnessed higher than average selling pressure as the 20-stock Qatar Index fell 0.24% to 10,203.46 points, although it touched an intraday high of 10,245 points.

The Arab individuals were seen net profit takers in the main market, whose year-to-date losses widened to 5.79%.

The foreign institutions' weakened net buying had its influence on the main bourse, whose capitalisation melted QR0.87bn or 0.15% to QR588.61bn with microcap segments leading the pack of losers.

The foreign individuals' lower net buying also had its say on the main market, which saw as many as 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.05mn trade across seven deals.

The domestic institutions continued to be net sellers, but with lesser intensity in the main bourse, which saw no trading of sovereign bonds.

The Islamic index was seen declining slower than the other indices in the main market, which reported no trading of treasury bills.

The Total Return Index shed 0.2%, the All Share Index by 0.19% and the All Islamic Index by 0.12% in the main bourse, whose trade turnover and volumes were on the decline.

The transport sector index tanked 1.58%, insurance (1.13%), telecom (1.03%) and consumer goods and services (0.58%); while real estate gained 0.2%, industrials (0.2%) and banks and financial services (0.05%).

More than 59% of the traded constituents in the main market were in the red with major losers being Baladna, Al Faleh Educational Holding, Nakilat, Mazaya Qatar, Alijarah Holding, Doha Bank, Medicare Group, Woqod, Gulf International Services, Qatar Insurance, Ooredoo and Vodafone Qatar.

Nevertheless, Meeza, Qatar Oman Investment, Qatar Industrial Manufacturing, Estithmar Holding, United Development Company, Industries Qatar and Qamco were among the gainers in the main market.

In the venture market, Al Mahhar Holding saw its shares appreciate in value.

The Arab individuals were net sellers to the tune of QR0.94mn compared with net buyers of QR5.95mn on March 19.

The foreign institutions' net buying declined noticeably to QR9.2mn against QR14.44mn the previous day.

The local retail investors' net buying weakened considerably to QR2.11mn compared to QR8.8mn on Tuesday.

The foreign individual investors' net buying eased marginally to QR0.36mn against QR0.63mn on March 19.

However, the Gulf individuals' net buying expanded marginally to QR0.53mn compared to QR0.26mn the previous day.

The domestic institutions' net profit booking shrank notably to QR11.11mn against QR22.66mn on Tuesday.

The Gulf institutions' net selling weakened markedly to QR2.02mn compared to QR7.42mn on March 19.

The Arab institutions had no major net exposure for the seventh consecutive session.

Trade volumes in the main market decreased 18% to 116.02mn shares, while deals were up 1% to 13,817.

The venture market saw a 57% contraction in trade volumes to 0.03mn equities, 64% in value to QR0.04mn and 40% in transactions to 9.

Fed holds key interest rate, pencils in 3 cuts this year

AFP
Washington

The US Federal Reserve voted yesterday to hold interest rates at a 23-year high for a fifth consecutive meeting, while signalling it still expects to make three cuts this year.

The Fed's decision to keep its key lending rate between 5.25% and 5.50% lets policymakers "carefully assess incoming data, the evolving outlook and the balance of risks," the central bank said in a statement.

Last year, the Fed's policies proved to be a success: inflation eased dramatically from the multi-decade highs seen in 2022 toward the Fed's long-term 2% target, while the US was able to avoid a recession thanks to unexpectedly strong economic growth.

But 2024 has been more challenging, with the country seeing a small uptick in the pace of monthly inflation — renewing fears that interest rates will have to remain high for longer to bring prices under control.

"Since the start of this year, expectations about 2024 central bank easing have been pared back materially," economists at JP Morgan wrote in a recent investor note.

"But that has not disrupted the general trend toward an easing in global financial conditions," they added.

Alongside its rate decision, Fed policymakers also updated their economic forecasts on Wednesday, sharply upgrading the US growth outlook for this year to 2.1%, from 1.4% in December. Policymakers left the headline inflation forecast unchanged, but slightly raised the outlook for annual so-called "core" inflation — which excludes energy and food prices — to 2.6%. Members of the rate-setting Federal Open Market Committee (FOMC) also left the median projection for interest rates at end-2024 at the midpoint between 4.50 and 4.75.


The Federal Reserve building in Washington. The Fed voted yesterday to hold interest rates at a 23-year high for a fifth consecutive meeting.

This means they still expect 0.75 percentage points of cuts before the end of the year, which would likely translate into three 0.25 percentage point cuts.

Back in December, the FOMC prediction of three cuts this year raised hopes in financial markets that the first reduction could come as early as March. But in the weeks that followed, Fed officials used public appearances to caution against moving too quickly and reigniting inflation, stressing that any decisions on rate cuts would be "data-dependent." Within weeks, market expectations among traders and many analysts were pushed back from March to June, or even later.

Futures traders currently assign a probability of almost 65% that the Fed will start cutting interest rates by mid-June, rising to 80% by the end of July, according to CME Group data. "We retain our baseline call that the FOMC will initiate a methodical, every-other-meeting cutting cycle in June, continuing through 2025," economists at Barclays wrote in a recent note to clients.

European airlines see consolidation; Boeing's troubles continue

By Alex Macheras

Consolidation of Europe's airlines is necessary to keep the industry competitive, the CEOs of British Airways owner IAG and Ryanair said on Wednesday, as the EU continues to assess a potential new deal between Germany's Lufthansa and Italian rival ITA Airways.

"If we don't allow consolidation in Europe, we will destroy airlines in Europe," IAG CEO Luis Gallego told an aviation conference.

Ryanair CEO Michael O'Leary said on the same panel that consolidation "does need to be encouraged". "(Portugal's) TAP has only survived through Covid because the taxpayer," he said. "Aer Lingus was acquired by IAG... those airlines have been much the better and have a more secure future as part of bigger airlines."

The European Commission is due to say this week how it views Lufthansa's bid to acquire a 41% minority stake in state-owned ITA for €325mn ($352.30mn).

Lufthansa's CEO said he wanted to close the deal "as soon as possible", and was optimistic ahead of the expected EU statement of objections. EU antitrust regulators opened an investigation into the potential deal in January, with warnings it could reduce competition in flights to and from Italy. Potential solutions could include opening up slots, traffic rights and planes to allow a rival to operate on some routes.

Under the terms of the rescue plan, Cologne-based Lufthansa would initially buy 41% of the successor to failed flagship Alitalia from the Italian state, with an option to acquire the rest later. The transaction marks the latest attempt to resurrect the ailing Italian carrier, which officially ceased operations in 2021. While the Italian government has provided as much as €3bn in support for the new airline, the EU permitted a capital injection of €1.35bn under its state-aid regime.

Last year, Italian Prime Minister Giorgia Meloni urged the commission to move quickly on its review in order to lessen the load on Italian taxpayers. As part of an in-depth probe, which started in late January, EU watchdogs said they had concerns over both short- and long-haul flights from Italy. They also highlighted how routes between Italy and North America could be affected and whether flights provided by Lufthansa and its partners United Airlines and Air Canada should be treated as a single entity.

Potential solutions, previously reported by Bloomberg, include the disposal of slots at Milan Linate airport, which is dominated by ITA and the wider Lufthansa group, encompassing Swiss, Austrian and Belgian regional units. Elsewhere, Boeing has warned that it will burn more cash in the first quarter than previously expected as the US plane maker grapples with the consequences of the blowout of a door panel in mid-flight from a 737 Max earlier this year.

Brian West, chief financial officer, said cash outflow would reach $4bn-$4.5bn in the first quarter, higher than forecast in January. A plan to reach a $10bn cash flow target by 2025-2026 would also take longer, said West, at a Bank of America conference in London.

Boeing has had to limit production of its 737 Max aircraft in the wake of the crisis as it seeks to improve the quality of its manufacturing and deal with increased regulatory scrutiny. "We're not at the moment where we can manage the near term for these financial outcomes because of the work at hand around stability," West said. "Our expectation is that we'll get more predictable and better positioned, but it will take time." Boeing's current production rate of the 737 currently sits in the "low-to-mid 30s", and the airframer will restrict output to "below 38" jets per month as it works through quality issues raised by two recent safety audits.

Speaking this week at the Bank of America Global Industrials conference in London, Boeing chief financial officer Brian West said the monthly figure is set to rise over the course of 2024, as the company addresses its numerous production problems.

Meanwhile, at the "Europe 2024" conference in Berlin, Guillaume Faury, the CEO of Airbus, expressed his concern over the ongoing issues faced by Boeing. Faury emphasised the detrimental impact these problems have on the entire aerospace industry, highlighting the importance of quality and safety in aviation. He said, "I am not happy with the problems of my competitor. They are not good for the industry as a whole."

The NTSB announces plans to hold an investigative hearing on August 6 and 7 about its investigation "into how and why a door plug departed" from the passenger jet during flight. The hearing will be live-streamed, featuring investigators, witnesses and others.

On the same day, Boeing responds to the Federal Aviation Administration (FAA) audit's conclusions announced the previous week.

"FAA inspectors went deep into our Renton factories in January and February to audit our production and quality control," says Stan Deal, the CEO of Boeing's commercial airplanes division. The "vast majority" of problems, he adds, pertained to situations where Boeing employees didn't follow the company's processes and procedures.

Deal promises to focus on improving compliance by working with employees and conducting more internal audits. Of the expert review, he says Boeing's procedures were too complicated.

"If you spot an issue, you are fully empowered to report it through your manager or the Speak Up portal," Deal says. FAA chief Michael Whitaker has spoken of a recent visit to Boeing's facilities in which he saw for himself that the company's focus appears to be on production rather than safety and quality.

In an interview on NBC with Lester Holt, the FAA Administrator said that Boeing's "mindset" around production needs to "shift".

"There are issues around the safety culture in Boeing. Their priorities have been focused on production and not on safety and quality. And so, what we are really focused on now is shifting that focus from production to safety and quality," Whitaker told the NBC show.

In a statement to NBC, Boeing said: "We are taking significant action to strengthen safety and quality at Boeing. We are focused on demonstrating change and building trust one airplane at a time. This increased scrutiny, whether from ourselves, from the FAA or from others will make us better."

■ *The author is an aviation analyst. Twitter handle: @AlexInAir*

Airlines set to consume nearly 100bn gallons of jet fuel this year amid uncertain avgas price

By Pratap John

Uncertainties on jet fuel price remain as demand for aviation gasoline or avgas is expected to rise ahead of the summer travelling season although signs of global economic slowdown may temper consumption and weigh on jet fuel limiting price upside.

Some analysts see a spike in demand for jet fuel ahead of the summer travelling season in the third quarter of the year. Global jet fuel prices are likely to be "higher by 5.4% over our previous forecast to $111/barrel as soft demand is expected to give way to peak summer travel and stronger prices", BMI analysts wrote in a client note according to Reuters.

"However, a global economic slowdown will temper consumption of air travel and weigh on jet fuel prices limiting price upside," they added.

Latest fuel price analysis by the global body of airlines – IATA show the global average jet fuel price increased by 1.5% to $107.86/bbl in the week ending March 15. Fuel price is expected to average $113.8/barrel (jet) in 2024 translating into total fuel bill of $281bn, accounting for 31% of all operating costs, IATA said and noted airlines are expected to consume 99bn gallons of fuel in 2024.

High crude oil prices are expected to continue to be further exaggerated for airlines as the crack spread (premium paid to refine crude oil into jet fuel) is expected to average 30% in 2024.

Industry CO2 emissions in 2024 are expected to be 939mn tonnes from consumption of about 99bn gallons of fuel. In this context, IATA says the aviation industry will increase its use of Sustainable Aviation Fuels (SAF) and carbon credits to reduce its carbon footprint. IATA estimates that SAF production could rise to 0.53% of airlines' total fuel consumption in 2024, adding $2.4bn to this year's fuel bill. In addition, the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) is a global market-based carbon offsetting mechanism designed to stabilise international aviation emissions. The CORSIA-related costs are estimated at $1bn in 2024.

A worker prepares gasoline hoses from a Petroleo Brasileiro truck to refuel a plane at Brasilia-Presidente Juscelino Kubitschek International Airport (file). Uncertainties on jet fuel price remain as demand for aviation gasoline or avgas is expected to rise ahead of the summer travelling season although signs of global economic slowdown may temper consumption and weigh on jet fuel limiting price upside.

The price of jet fuel has a significant impact on airfares, as it is one of the most substantial operating costs for airlines. Jet fuel is a major expense that directly influences an airline's profitability and pricing strategy and accounts for up to 20% of an airline's operating expenses. Higher fuel costs jack up ticket prices, and conversely, airfare drops with lower fuel costs. A lower fuel burn-per-hour rate reduces the cost of flying an aircraft. The less it costs to fuel an aircraft, the more airlines can reduce ticket prices, obviously attracting more travellers.

The impact of jet fuel prices on the cost of airline travel can be significant, as fuel typically represents one of the largest expenses for airlines. When jet fuel prices rise, airlines often need to adjust their ticket prices to compensate for the increased operating costs. This invariably results in higher airfares for passengers.

The elasticity of demand for air travel affects how airlines adjust ticket prices in response to changes in fuel costs. If demand for air travel is relatively insensitive to price changes (i.e., demand is inelastic), airlines may be able to pass on a larger portion of increased fuel costs to passengers without experiencing a significant decline in ticket sales.

Some airlines use hedging strategies to lock in fuel prices at a fixed rate for a certain period. This provides them with a degree of protection against sudden increases in fuel prices, although it also limits their ability to take advantage of price decreases.

While rising jet fuel prices generally lead to higher operating costs for airlines, the extent to which these costs are passed on to passengers in the form of higher ticket prices vary depending on a range of factors, including fuel efficiency, hedging strategies, market competition, and demand elasticity.

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Airbus collaboration with Nasa to monitor climate change from space

By Pratap John

Airbus has been awarded a contract to design and build the GRACE-C twin spacecraft by Nasa's Jet Propulsion Laboratory JPL (Pasadena, California).

This new mission of Nasa and the German Space Agency at the German Aerospace Center (DLR) will strengthen the more than 20 yearlong partnership between the USA and Germany to ensure uninterrupted measurement of the Earth's gravity field, which started in 2002 with GRACE and continues with GRACE Follow-On, launched in 2018.

During its five year nominal mission lifetime, the GRACE-C Mission (Gravity Recovery And Climate Experiment-Continuity) will continue the series of measurements observing how Earth's groundwater, oceans, ice sheets, and land shift, month-to-month, by measuring changes in the planet's gravity field.

Alain Fauré, head, Space Systems at Airbus, said: "It is amazing to think that, without looking down at Earth, two satellites more than 200km away from each other, can tell us how quickly our ice sheets are melting. In environmental monitoring, continuity is key. The valuable data provided by the previous GRACE missions is testament to their success and it is great news that Airbus continues to be part of this international mission providing the tools to measure how our climate is evolving."

GRACE-C consists of two identical satellites flying around 200km apart at an orbit altitude of 500km with an inclination of 89 degrees. Each satellite will measure approximately 3 x 2 x 1 metres and weigh around 600kg. Launch is planned in late 2028 from the US.

Like its predecessors, the GRACE-C mission is designed to precisely measure small distance changes between the satellites due to gravity variations, with an unprecedented precision down to the micron.

As the pair of satellites circle the Earth, areas of slightly stronger gravity (greater mass concentration) will affect the spacecraft's positions and hence the distance between them. The extremely precise microwave ranging system will detect these changes and enable the mapping of Earth's gravity field with unmatched accuracy.

Over the months and years, the comparison of these gravity maps, or the evolution of mass concentrations, will enable scientists to assess the global water balance, including groundwater tables and ice sheets, and the influence of climate change. It will also provide insights into deep and surface currents in oceans and ocean height contributors.

The mission is based on a Nasa/DLR interagency partnership: German contributions are funded by the Federal German Ministry of Economic Affairs and Climate Action as well as the Federal and Ministry of Education and Research.

The optical bench of the LRI instrument is built by SpaceTech GmbH in close cooperation with the Max Planck Institute Gravitational Science (Albert Einstein Institute).

Airbus Defence and Space in Friedrichshafen will design, build and deliver the satellites to the launch site, including Launch and Early Orbit Phase (LEOP) support for Nasa/JPL. The mission will be operated by the German Space Operations Center (GSOC) of DLR.

Qantas under pressure from big business to find more clean fuel

Bloomberg
Sydney

Qantas Airways Ltd is hunting for scarce supplies of sustainable aviation fuel to use on key routes to the US and Europe, partly because so many of the airline's corporate customers need to cut their carbon emissions from travel.

Australia's biggest businesses are increasingly asking when Qantas will obtain larger quantities of the cleaner-burning fuel, Graeme Potger, the airline's head of sustainable aviation fuel, said at a renewable fuels conference in Canberra on Tuesday.

Sectors such as professional services, which includes management consultants, are especially keen on SAF because they don't want ballooning emissions from travel to stop them seeing clients, Potger said.

A Qantas Airways jet approaches Sydney Airport. Qantas is hunting for scarce supplies of sustainable aviation fuel to use on key routes to the US and Europe, partly because so many of the airline's corporate customers need to cut their carbon emissions from travel.

The corporate pressure shows that aviation's slow walk toward net zero by 2050 may not be enough for the lucrative customers that often fly in premium classes. Airlines are desperate to buy more SAF, but the current supply is less than 1% of global requirements. SAF can cut emissions by as much as 80%, but production is concentrated in the US and Europe. That makes it hard for Qantas to use it on flights leaving Australia.

KLM loses Dutch greenwashing case on climate advertising

Bloomberg
Amsterdam

Dutch airline KLM misled customers through advertisements that suggested its flights are climate friendly, an Amsterdam court ruled.

KLM makes climate claims in advertisements that are "based on vague and general statements about environmental benefits, thereby misleading consumers," the district court of Amsterdam said in its judgment on Wednesday. The carrier didn't provide travellers with honest and concrete information, it said.

The aviation industry is struggling with efforts to decarbonise as the options at its disposal remain limited. Airlines depend on using sustainable aviation fuels or buying carbon offsets, such as tree planting or land restoration, to demonstrate how they are reducing emissions. Yet, many of these steps are currently seen as inadequate.

A KLM passenger jet. The Dutch airline misled customers through advertisements that suggested its flights are climate friendly, an Amsterdam court ruled.

Air France-KLM's dutch arm was one of the first major airlines to face a lawsuit over greenwashing, which refers to marketing that aims to falsely convince customers that a brand is environmentally friendly.

It was sued by Dutch environmental pressure groups in 2022 over allegations that the airline's "Fly Responsibly" campaign, with the tag line "Be a hero, fly CO2 zero" created a false impression of its climate impact.

KLM paints an "overly rosy picture" of measures such as sustainable aviation fuels and reforestation which "only marginally reduce the negative environmental aspects and give the wrong impression that flying with KLM is sustainable," the court said in its verdict. The airline has discontinued the ad campaign.