

Dragoman Digest

Japan enjoys cheaper LNG prices despite spot market surge

Japan locks in price stability through long-term LNG contracts

Japan's [strategic cultivation](#) of long-term contracts for liquefied natural gas (LNG) is paying dividends as it avoids massive price hikes. Japan receives over 80 percent of its LNG via long-term contracts. Europe's equivalent share last year was just 40 percent. Japan's long-term contracts are typically indexed to oil prices. Consequently, Tokyo is shielded from higher LNG spot market prices, as oil prices have not risen as sharply. In August, Japan was paying an average import price of approximately US\$20 per mmBtu of LNG, compared to typical spot prices of US\$50 to US\$60 in the north Asian market.

Japan's approach is not without risk. High oil prices were particularly painful for Japan in 2019, when Tokyo was forced to pay nearly double the spot price for LNG delivered under long-term contracts. Another obvious downside is that long-term contracts minimise flexibility. This is a particularly acute risk given the exigencies of the energy transition. Jera Co's announcement in 2016 that it was planning to reduce its reliance on long-term contracts amid uncertainty about Japan's future energy mix, was illustrative of this uncertainty. Jera Co handles approximately 40 percent of Japan's annual LNG imports. For now at least, Japan's strategy is providing much-needed energy stability. Other [countries](#) are moving to follow suit.

Adani Group targets Morocco with 10GW renewables project

Adani ramps up green ambitions with new solar, wind, and green hydrogen plans

Indian conglomerate Adani Group is in [exploratory](#) talks for the development in **Morocco** of a major renewables project. Adani Group is considering building sizeable wind and solar farms, and green hydrogen facilities for export. The project could collectively reach 10GW of capacity – almost equivalent to Morocco's entire existing installed capacity. It would be Adani's largest green power project outside of India.

Adani's Moroccan project would be a further plank in its plan to become the world's largest producer of clean energy by 2030. With ideal conditions for renewables and proximity to both Europe and parts of Asia, countries in North Africa and the Middle East are natural targets for this vision. Adani is not the only Indian player with ambitions for the region. ReNew energy [signed](#) a preliminary agreement in July with the **Egyptian** government to invest up to US\$8 billion in a green hydrogen project. The firm intends to produce 220,000 tons of the clean fuel annually in Egypt. Indian players will enter what is fast becoming a crowded field, with [French](#) and [Spanish](#) companies also targeting North Africa.

Germany green lights contentious Hamburg port deal

Six government ministries had opposed the original deal

On Wednesday, **Germany's** ruling coalition allowed **Chinese** shipping conglomerate Cosco to buy a 24.9 percent stake in Hamburg's container terminal, a compromise on the 35 percent stake that Cosco bid for last year. Cosco's initial bid was strongly supported by Social Democratic Party (SDP) Chancellor **Olaf Scholz**, but was opposed by his coalition partners, the Greens and Free Democrats (FDP). The economy ministry, headed by the Green's Robert Habeck had argued that the port was "critical infrastructure" that should not be owned by potentially adversarial countries. Cosco's subsidiaries have been known to provide [support](#) to China's navy. The reduced 24.9 percent stake is just shy of what is considered a blocking minority in Germany.

The deal is a face-saving solution for Scholz who is set to visit China next week. A decision to block the deal outright would clearly have upset Scholz's Chinese hosts. However, the deal is likely to add to concerns in Washington and Europe over Scholz's position on China. Scholz

notably rejected **French** President **Emmanuel Macron**'s proposal that the two leaders visit China together to portray a united European front. His visit has also been criticised for its timing, coming just after President **Xi**'s clean sweep at the 20th Party Congress. The decision to allow Cosco to purchase a stake may also inflame tensions within Scholz's ruling coalition, as it comes on top of his foot-dragging on Greens-backed measures such as a proposal to screen outbound German investment. Scholz faces a particularly complicated balancing act in managing Germany's relations with China and within his own government.

Vietnam escalates anti-corruption crackdown

The series of arrests is likely related to internal Communist Party power dynamics

Private sector executives have been caught up in the **Vietnamese** government's [latest raft](#) of anti-corruption measures. On October 7, Truong My Lan, chairman of property developer Van Thinh Phat, was detained for allegedly illegally issuing 25 trillion dong (US\$1 billion) in company bonds. This came after the chairman of the State Securities Commission and head of the Ho Chi Minh City Stock Exchange were fired earlier this year. The anti-corruption campaign began under Communist Party Secretary General **Nguyen Phu Trong** in 2016, and originally focused on members of the government. Since April this year, private sector corruption has become a much larger focus of the program.

Whilst corrupt dealings may well have occurred, [sources](#) within Vietnam suggested that arrests may be linked to power plays. My Lan was closely linked with Ho Chi Minh City officials, a fact which may be instructive. Under former and now disgraced local Party Secretary [Le Thanh Hai](#), Ho Chi Minh City functioned as a fiefdom where the central government had only limited influence. Le Thanh Hai's reign coincided with corruption involving property developers and the sale of state-owned land. Foreign investors with local partners may now fear being ensnared.

Middle Eastern rivals jockey across Africa

Saudi joins regional neighbours in expanding investment in Africa

Saudi Arabia has pledged to invest over US\$15 billion in **South Africa** through the [signing](#) of 11 agreements last week. The deals were agreed upon during a meeting between South African President **Cyril Ramaphosa** and Saudi Crown Prince **Mohammed bin Salman** in Jeddah. The agreements reportedly cover energy, technology, mining and a joint investment fund; additional to US\$10 billion in investment in South Africa's energy sector pledged by Saudi in 2018.

Saudi is joining a crowded field in Africa, with regional rivals also having a sizeable presence. **Turkish** President **Recep Tayyip Erdoğan**'s consistent diplomatic efforts have helped Turkey increase Africa's share of its overall foreign trade to almost 10 percent, up from 4 percent in 2003. Erdoğan has visited 28 African countries during his tenure and Turkey now has embassies in 43 African countries, up from 12 in 2009. For its part, the **UAE**, has financed more than 86 projects in 31 African states through the Abu Dhabi Fund for Development. A relative latecomer is **Iran**, now planning to build seven new trade centres in Africa by March 2023 in a bid to develop its lean economic footprint.

This comes as Africa is [projected](#) to be home to seven of the 10 fastest-growing economies between 2020 and 2030. Middle Eastern countries are evidently jostling for a piece of a fast-growing economic pie.