

New fuel restrictions for ships in Arctic fall short — green groups

LONDON — Ships sailing through Arctic waters will no longer be able to use or carry heavy bunker fuel oil under a United Nations (UN) shipping agency regulation which took effect on Monday.

Yet environmental groups say the ban does not go far enough in geographic scope or addressing dirty black carbon emissions from ships, which can darken white ice and speed up the melting wrought by climate change.

The ban, adopted in 2021 by the UN's International Maritime Organization (IMO), aims to prevent heavy fuel oil (HFO) spills which could have a devastating impact on the Arctic's sensitive environment and species, including walrus, polar bears, and beluga whales. "Shipping in the Arctic continues to increase — both in terms of numbers of ships and also the length of time ships are sailing in the Arctic," said Sian Prior, lead advisor of the Clean Arctic Alliance which comprises 20 environmental groups.

As climate change opens up the region, the Arctic is at heightened risk of a spill.

Although the ban begins on July 1, it will only come into full force in 2029 after a number of exemptions expire. But some Arctic coastal countries told Reuters they intend to take more immediate action.

Heavy fuel oil is a tar-like residual waste from the oil refining process that is about 30% cheaper than alternatives.

It is thicker than other fuels, making it difficult to clean up in the event of a spill.

WAIVERS AND ADOPTION

The regulation will result in the prohibition of nearly a third of HFO carried and 16 percent of HFO used in Arctic waters as of July 1, 2024, compared with the

2019 Arctic fleet, according to a 2020 analysis by the non-profit International Council on Clean Transportation. That is because it grants a temporary exemption to ships built since 2017 that have protected fuel tanks which lessen the likelihood of a spill.

LNG tankers, bulk carriers and cargo vessels generally use the most HFO in operations.

The regulation also allows Arctic coastal nations to grant waivers to ships flying the flag of the nation while operating in sovereign waters, until 2029.

More than half of the 2019 Arctic fleet would meet the standards to receive a waiver, the analysis found.

Five Arctic coastal nations are able to issue waivers due to their geography.

Canada's transportation ministry told Reuters it would issue waivers to domestically flagged vessels involved in providing food and fuel supplies to Arctic communities until July 1, 2026.

Any waiver decision would be made public, a government spokesperson said, noting Canada had not yet received any applications.

Norway already has the Svalbard Environmental Protection Act which bans HFO.

Earlier this month, an Irish shipping company was fined one million NOK (\$94,000) for sailing through Svalbard's waters with HFO on board.

Denmark's Ministry of the Environment did not respond to a request for comment on whether it would issue waivers for the waters around Greenland.

The United States did not immediately respond to a request for comment.

Finland has also not yet adopted the regulation, but a government spokesperson told Reuters it aimed to do so later this year. — *Reuters*

US pushes Boeing to plead guilty in connection with fatal crashes

THE US Justice Department is pushing for Boeing to plead guilty to a criminal charge after finding the planemaker violated a settlement over fatal 737 MAX crashes in 2018 and 2019 that killed 346 people, two people familiar with the matter said on Sunday.

The Department of Justice (DoJ) is expected to formally offer the plea agreement to Boeing later in the day, the sources said. Justice Department officials plan to give Boeing until the end of the week to respond to the offer, which they will present as non-negotiable, the sources said. Should Boeing refuse to plead guilty, prosecutors plan to take the company to trial, they said.

The decision to move toward criminally charging Boeing deepens an ongoing crisis engulfing the planemaker, exposing the company to an additional financial penalty and tougher government oversight.

Spokespeople for Boeing and the DoJ declined to comment. Reuters previously reported that US prosecutors were recommending the Justice Department criminally charge Boeing.

A guilty plea could also carry implications for Boeing's ability to enter into government contracts such as those with the US military that make up a significant portion of its revenue. Companies with felony convictions can receive waivers to continue entering into such contracts, and it remained unclear to what extent the Justice Department's proposed plea deal addresses the issue.

Justice Department officials revealed their decision to victims' family members during a call earlier on Sunday. The proposal would require Boeing to plead guilty to conspiring to defraud the US Federal Aviation Administration in connec-

Boeing agrees to acquire Spirit Aero for \$4.7B

WASHINGTON — Boeing agreed on Sunday to acquire Spirit AeroSystems for more than \$4 billion, two people familiar with the matter said, ending months of talks over a deal the US planemaker hopes will help ease a spiralling safety crisis.

Boeing will pay \$37.25 per share for Spirit Aero, in an all-stock deal, the two people said. The boards of Boeing and Spirit met on Sunday and agreed to terms, and an official announcement is likely early on Monday, they said.

The acquisition values Spirit at around \$4.7 billion, according to one of the sources.

The deal, which is subject to regulatory approvals, would result in the breakup of Spirit, with some of the Kansas-based supplier's assets going to French planemaker Airbus.

Airbus, Spirit and Boeing declined to comment.

Boeing is trying to move past a year of difficulties sparked by a Jan. 5 mid-air blowout of a door plug on a new 737 MAX 9 jet that exposed

myriad safety and quality problems. Those issues have led to a substantial slowdown in output at Boeing — rippling across the global commercial aviation industry.

Spirit, the manufacturer of the door plug, was spun off from Boeing in 2005 in one of a series of moves that critics say were emblematic of a focus on cost-cutting over quality.

Boeing made the decision to buy back Spirit in the aftermath of the Jan. 5 incident, which took place on an Alaska Airlines-operated flight, as part of an effort to reform its safety problems and shore up its production line.

Boeing had earlier discussed paying \$35.50 per share in cash for Spirit, but this was raised to \$37.25 when the agreement shifted to stock, one of the sources said.

The terms of a parallel deal for Spirit to sell its Europe-focused operations to Airbus were not immediately clear. — *Reuters*

tion with the fatal crashes, the sources said.

The proposed agreement also includes a \$487.2-million financial penalty, only half of which Boeing would be required to pay, they added. That is because prosecutors are giving the company credit for a payment it made as part of the previous settlement related to the fatal crashes of the Lion Air and Ethiopian Airlines flights.

Boeing could also likely be forced to pay restitution under the proposal's terms, the amount of which will be at a judge's discretion, the sources said.

The offer also contemplates subjecting Boeing to three years of probation, the people said.

The plea deal would also require Boeing's board to meet with victims' relatives and impose an independent monitor to audit the company's safety and compliance practices for three years, they said.

It is unusual for the Justice Department to inform other interested parties of its plans be-

fore notifying the company in its crosshairs, a third source said. But the Justice Department, led by Attorney General Merrick Garland, has sought to change its tack after facing backlash from the victims' families over the original 2021 agreement. Victims' relatives found out about the 2021 deal only after it had been negotiated.

The Justice Department's push for Boeing to plead guilty follows a separate January in-flight blowout that exposed continuing safety and quality issues at the US planemaker.

A panel blew off a new Boeing 737 MAX 9 jet during a Jan. 5 Alaska Airlines flight, just two days before a 2021 deferred prosecution agreement with the Justice Department expired.

That agreement had shielded Boeing from prosecution over the 2018 and 2019 fatal crashes. Boeing has previously said it "honored the terms" of the settlement and formally told prosecutors it disagrees with

the finding that it violated the agreement.

US lawmakers in June grilled Chief Executive Dave Calhoun over Boeing's tarnished safety record. Lawyers for victims' family members have cited criticism from Capitol Hill when pressing the Justice Department to prosecute the planemaker and impose a fine of up to \$24.78 billion.

Boeing previously paid \$2.5 billion as part of the deal with prosecutors that granted the company immunity from criminal prosecution over a fraud conspiracy charge related to the 737 MAX's flawed design.

Boeing had to abide by the terms of the deferred prosecution agreement for a three-year period that ended on Jan. 7. Prosecutors would then have been poised to ask a judge to dismiss the fraud conspiracy charge. But in May, the Justice Department found Boeing breached the agreement, exposing the company to prosecution. — *Reuters*

PHL competitiveness to depend on pace of infra upgrades — think tank

By Justine Irish D. Tabile
Reporter

THE Philippines' ambitions for attracting investment will hinge on improvements to its digital and physical infrastructure, according to the Asian Institute of Management's (AIM) competitiveness policy center.

Jamil Paolo S. Francisco, executive director of the AIM Rizalino S. Navarro Policy Center for Competitiveness, told *BusinessWorld* that the Philippines will have to do better in indicators like annual global competitiveness

rankings, parts of which measure infrastructure quality.

Asked for his recommendations, he said: "I guess the most basic one is really infrastructure. Not just physical infrastructure, but also digital and human infrastructure."

"We are lagging there. So, we have to make it faster, and we have to do more," he added.

Citing the 2024 World Competitiveness Ranking (WCR) by Switzerland's International Institute for Management Development, he said infrastructure can be classified into four parts: basic, human, scientific, and social.

The index placed the Philippines 52nd out of 67 economies,

retaining its spot from last year. In terms of the components of the rankings, the country ranked the lowest in infrastructure at 61st, down from 58th last year.

"10 or 15 years ago, there was already a long list of things we had to check in the infrastructure pillar," said Mr. Francisco. "Now, it not only involves hardware but also software."

He said that previously, the Philippines had to deal with basic infrastructure like roads and bridges, but now the country has to also build the digital infrastructure needed to facilitate e-commerce, among others.

"So, the list that we have to fulfill just keeps getting longer. Unfortunately, we're still lagging on that long list," he added.

In the 2024 WCR, the Philippines ranked 62nd in basic infrastructure, 55th in technological infrastructure, and 60th in scientific infrastructure.

"If we fare low in these indicators, then we are not as competitive. Because increasingly, remember, it's a perception game."

He said that investors will also weigh these factors when choosing the countries they will be investing in.

Citing cybersecurity as an example, he said that it is a com-

ponent of the technological infrastructure pillar, in which the Philippines ranked 58th.

"Unfortunately, maybe in the Philippines, we haven't been able to prioritize cybersecurity, and we are just still trying to address it," Mr. Francisco said.

"In other countries, they are more advanced in terms of their awareness and their appreciation of the need to address it, and investors will expect that of countries where they invest, and so if we fare low there, then we are perceived as less competitive," he added.

Besides improving infrastructure, he said that the Philippines

will also have to work on the "right messaging."

"We keep saying that competitiveness rankings are partly based on perception surveys, and that's important because, as an investor, you make a decision based on data. But you also make a decision based on gut feel and your perception of a country," he said.

"So, we need to do an even better job of communicating clearly why it makes sense to do this in the Philippines. Communicating our commitment to reform, to the promises that we've made, to investments in basic infrastructure, and whatnot," he added.

Philippines' dependency on coal-fired power surpasses China, Indonesia

SINGAPORE — The Philippines surpassed Indonesia and China to break into the world's top 10 economies most dependent on coal-fired power, energy think tank Ember said, underlining the challenges it faces to achieve its green energy goals.

The country's share of coal in electricity generation rose for the fifteenth straight year in 2023, the data showed, despite a target to cut dependence on the fuel to less than half of total power output by 2030.

Kosovo had the highest coal dependence in 2023 according to the data released by Ember, with 88.21% of its power coming from the polluting fuel. Mongolia, South Africa, India and Kazakhstan followed, with the Philippines ranked 7th on the list.

Coal accounted for 61.92% of all electricity generated in the archipelago in 2023, from 59.07% in 2022 — the highest jump in dependence on the fossil fuel since 2016.

The Philippines wants to double solar additions and triple wind capacity by 2030 from current levels and is betting on a rapid build out of offshore wind farms.

While the Philippines surpassed Indonesia, ranked 8th, in terms of share of coal in power generation, coal continued to be Indonesia's preferred fuel.



BW FILE PHOTO

China fell outside of the top 10 in 2023 as an acceleration in renewables helped cut the share of coal in its electricity generation, but it remained the largest overall generator of coal-fired power, with India second.

"Both Indonesia and the Philippines lag behind other countries in the ASEAN region in their wind and solar deployment," Ember said in a statement on Monday. Indonesia and the Philippines have struggled to boost renewable capacity due to the costs involved.

Indonesia became the world's fifth largest generator of coal-fired power, with output growing at an average pace of 7.1% over eight years to overtake South Korea for the first time.

"This ascent included surpassing Australia in 2018, Germany in 2019, Russia in 2020 and South Africa in 2022," Ember said. — *Reuters*

World Bank appoints new country director overseeing Philippines, Malaysia, Brunei

THE World Bank said it has appointed Turkish economist Zafer Mustafaoglu as its new country director for the Philippines, Malaysia, and Brunei Darussalam, with his term beginning July 1.

He replaced Ndiame Diop, who served as the country director for the Philippines, Malaysia, Brunei, and Thailand for four years.

"I am deeply honored to assume the role of country director for the Philippines, Malaysia, and Brunei — countries that stand out as some of the most vibrant economies in the East Asia region, with significant achievements in economic transformation and poverty alleviation," Mr. Mustafaoglu was quoted as saying in a statement.

"I look forward to meeting our partners across government, the private sector, civil society, and academic institutions to deepen my understanding of the unique development challenges these countries

face and to explore how the World Bank can further contribute to their progress," he added.

The bank has extended support in the form of loans and technical assistance in key sectors like infrastructure, agriculture, the environment, social protection, water resources, disaster risk management, and climate change.

Other forms of help include support for the government's major economic policy and governance reforms, enhancement of private sector participation, and the promotion of peace in Mindanao.

The World Bank was the Philippines' third biggest source of official development assistance in 2022, according to the National Economic and Development Authority. Around \$6.86 billion worth of loans it provided were spent on 29 programs and projects.

Mr. Mustafaoglu joined the World Bank in 2005 and has con-

tributed to the lender's operations and research projects, ranging from macroeconomic to microeconomic policy issues.

He previously served as the practice manager for Finance, Competitiveness, and Innovation in the East Asia and Pacific, overseeing operations in China, Mongolia, South Korea, Laos, Cambodia, Myanmar, and Vietnam.

He also occupied the same position in Latin America and the Caribbean, and was the lead economist and program leader for Argentina, Paraguay, and Uruguay.

Before joining the bank, Mr. Mustafaoglu worked for the Turkish government's State Planning Organization as the head of the Modeling and Economic Analysis.

The new country director earned his doctorate in International Economics from the Middle East Technical University in Turkey. — *Beatriz Marie D. Cruz*