Economics Briefs

India: NDB $500 Million Infrastructure Loan and $3 Billion in Rupee Bonds

The BRICS' New Development Bank (NDB) has made its first infrastructure loan of 2024, a $500 million loan to India for a major road project in Gujurat State. This loan is denominated in a combination of dollars and rupees. Perhaps more significantly, the NDB plans $3 billion worth of Maharaja Bonds issued in rupee denomination over 2024–28. "Maharaja Bonds" is the term for bonds issued in India's bond market, in rupees, by foreign banks or firms; the equivalent of foreign "Panda Bonds" in China's domestic bond markets.

NDB Chief Operating Officer Vladimir Kazbekov, formerly an executive of the Russian National Development Bank (VEB, Vnesheconombank) for 15 years, was quoted Jan. 12 by *Times of India*:

"This will be a medium-term program through which NDB aims to raise resources in local currency up to Rs 25,000 crore [$3 billion] over the next five years…. Regulatory approvals for the maiden NDB bond offering are awaited and will likely be completed soon."

An interesting question is whether there are parallel plans for NDB issuances in other BRICS currencies. In a short interview with CGTN Jan. 18, Kazbekov attributed the NDB's ability for increasing use of national currencies other than the dollar, to Chinese policy and the yuan currency. China has made yuan loans, and increasingly swaps, available to international development banks including the NDB (this involves exemptions by China from its capital controls, although Kazbekov did not include that point). Now, he said, the NDB is beginning to explore using the currencies of its other member nations to create development loans. He mentioned Brazil, India, South Africa, and "the Emirates."

Egypt To Issue Bonds via New Development Bank in Currencies of Its Members

Egypt's Minister of Finance, Mohamed Maait, announced Jan. 13 that Egypt will issue bonds—called "green, blue, social, and sustainable" bonds—through the New Development Bank (NDB) and in the currencies of the BRICS bank's members. In other words, the NDB will issue these bonds for Egypt in the other countries' bond markets. *Middle East Economy* posted Jan. 15 what appears to be an Egyptian government press release on behalf of Maait, who is also Egypt's Governor on the NDB Board. It described his meeting with NDB Chief Operating Officer Vladimir Kazbekov, and said that Egypt "aims to attract more development investment flows" through the NDB.

The article names "clean energy projects, transportation, and social and environmental protection"; also "information infrastructure and water and sanitation." It appears from the reporting of Maait's remarks that "In the same context [NDB context—ed.], Egypt … is currently considering offering bonds in Gulf currencies." Egypt's sovereign debt rating has been lowered (last July, by Standard and Poor's) and "the high cost of financing is one of the government's most prominent challenges." Issuance through the NDB will lower that cost of development credit.

Despite Continued Massive Investment, Renewables 'Not Even Warm' Yet

International Energy Agency (IEA) figures for total investment in various energy "sources" in 2023 as a whole, confirm continued massive global over-investment in "renewable" or "clean" energy, which means largely "interruptible" forms of energy. For the years 2019–2023 inclusive, total global investment in "clean" energy sources and technologies was $7.2 trillion, while investment in "fossil fuel" sources and technologies, despite a very substantial recovery from depressed pre-2020 levels, was just $3.85 trillion: By 2023 taken alone, the ratio had become greater than 2:1 in favor of "clean energy." For the IEA, "clean" energy includes nuclear and hydropower, as well as solar, wind, and biomass.

Comparing the global investments made over 2019–2023 in the generation/production of energy only (leaving aside discovery, recovery, refinement, acquisition, etc.), investment in "renewables" generation was $2.75 trillion; in fossil fuel generation, $550 billion; and in nuclear generation, $300 billion. So, renewables investment over those five years was more than triple the others combined. In fact, in 2023, global investment in solar energy production alone was greater than investment in oil-fired energy production.

Despite this massive and growing investment dominance, in 2023 the share of all renewables in global *electricity generation* was just over 5 petawatt-hours out of a total of 30 petawatt hours, or 17%; and renewables' share in total *energy production* was far less, about 6%.

Typically for the world, Texas's ERCOT power system came through the frigid winter storm this week without blackouts, with natural gas-fired generation providing 84.5% of all electric power, and nuclear plants 7.5% during the worst of the freeze on the morning of Jan. 15. Solar power's share was zero, and Texas' 15,300 wind farms with an installed capacity of 38,000 MW, produced but 7%.

Canada's Province of Alberta showed the same during the previous week, when the Polar Vortex freeze was most intense there and temperatures were much colder than the lowest reached in Texas. According to a detailed explanatory article on "PenguinEmpireReports" on the Substack platform Jan. 14, "Freezing To Fight Global Warming," on the night of Jan. 12–13, with the temperature down to −45°C (−49°F), the Alberta Electric System Operator had gas turbines producing 84% of their rated capacity; coal, 99% of its capacity; hydropower at 35%; solar at zero, and wind farms at 0.3% of their rated capacity.

How Much Will You Pay To Get Electric Power that Isn't On?

Thousands of square miles of wind and solar power in Texas and Alberta shut down completely in the worst hours of the Polar Vortex freeze. Hundreds of EV owners in the Chicago area had to get their cars towed (by diesel-burning tow trucks, of course) out of charging stations that froze up in sub-zero weather. Now more than half of the 17.5 gigawatts (GW) of offshore wind power projects which have been approved by U.S. Federal states, are cancelled or in disputes leading toward cancellation. Their developers demand the Federal government double, or more, the already large subsidies to their power costs. This is the Biden Administration's vaunted Inflation Reduction Act in action.

The latest reports are in the Jan. 19 *Wall Street Journal*, "A Multibillion-Dollar Clean-Energy Bet Gone Wrong"; and in that day's *Yahoo Finance News*, "BP, Equinor Tear Up Contract for Big New York Offshore Wind Project." We omit the *Journal*'s Wall Street press release-type lists of "causative factors" these articles adduce, perhaps typified by the *Journal*'s complaint that American workers' wages rose too fast after the big offshore wind contracts were signed by wind turbine giants and U.S. utilities (and subsidized under the Inflation Reduction Act).

The bottom line is that, in the *Journal*'s account, 8.5 GW out of Biden's "30 GW by 2030" offshore wind target, are already signed, sealed, and then *cancelled* because the European giants Ørsted, Siemens, BP, Equinor, and Iberdrola/Avangrid couldn't build the offshore farms and connect them, even for high and heavily subsidized electric rates. (In the *Yahoo Finance* account, the cancelled or disputed is 9.5 GW.) With the cancellations, some of these firms think they can score even larger Federal subsidies and/or even higher user rates. Will you pay?

Constantly-Quoted Economist Worries 'Treasury Market Will Freeze Up'

U.S. Federal government borrowing, having driven total debt from $33 trillion to $34 trillion in 7 months, is now projected to drive it to $35 trillion by election day, and perhaps $45 trillion by 2030—but of course it won't get there at all. Financial media are filled with articles which nervously refer back to mid-September 2019, when liquidity "suddenly" disappeared in the entire interbank lending market.

Even the most-quoted U.S. economist, the ubiquitous Mark Zandi, Chief Economist at Moody's Analytics, said already on Nov. 22 in a *Yahoo Finance* interview that he was "worried we might see a freezing up of the U.S. Treasury market":

"There's a lot of stress. What actually breaks?... One thing that I'm watching that makes me nervous, is the liquidity—so-called liquidity—in the U.S. Treasury market."

Zandi did not go into the withdrawal of major foreign buyers of Treasuries due to U.S. war and economic war policies, nor the resulting domination of hedge fund speculation which is making the Treasury market extremely volatile.

Now the measure of interbank lending stress in the U.S. banking system has jumped up in late December and is remaining high. "Something strange is happening in the plumbing under Wall Street," said the Jan. 3 Dow Jones "Morningstar" report after the Secured Overnight Financing Rate (SOFR) suddenly rose to 5.4% Dec. 28–29 and did not drop back down (as confidently predicted) after "end-of-year accounting demands." SOFR, which sets overnight lending rates among banks and other financial institutions using short-term Treasury securities as collateral, is well above the interest rates on the Treasuries themselves.

Germany Is in a 'Two-Year Recession'

Germany's Federal Statistical Office reported Jan. 14 that Germany's GDP *dropped* by 0.3% in 2023 as against 2022, due to "multiple crises." London's *The Guardian* quoted bank analysts in forecasting another recession year in 2024. "There is no imminent rebound in sight and the economy looks set to go through [a] two-year recession," according to one of them, Carsten Brzeski at the Dutch ING Bank.