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STUTTGART: In this Jan 28, 2009 file photo Martin Winterkorn, CEO of Volkswagen AG, who resigned yesterday, poses next to a Volkswagen Beetle from 1950 during the inauguration of the new Porsche museum. — AP

VW boss quits over diesel scandal

German prosecutors announce preliminary investigation

BERLIN: Volkswagen CEO Martin Winterkorn resigned yesterday, taking responsibility for the German carmaker's rigging of US emissions tests in the biggest scandal in its 78-year history. "Volkswagen needs a fresh start - also in terms of personnel. I am clearing the way for this fresh start with my resignation," Winterkorn said in a statement. He said he was shocked by events of the past few days, above all that misconduct on such a massive scale was possible at the company.

A five-member executive committee had grilled Winterkorn, 68, since morning at the company's headquarters in Wolfsburg, Germany. The company was under huge pressure to take decisive action, with its shares down more than 30 percent in value since the crisis broke, and the bad news still coming. German prosecutors said yesterday they were conducting a preliminary investigation into the manipulation of vehicle emission test results at Volkswagen, while French Energy Minister Segolene Royal said her country would be "extremely severe" if its investigation into the firm found any wrongdoing.

US authorities are planning criminal investigations after discovering that Volkswagen programmed computers in its cars to detect when they were being tested and alter the running of their diesel engines to conceal their true emissions. German Chancellor Angela Merkel had urged Volkswagen to move "as quickly as possible" to restore confidence in a company held up for generations as a paragon of German engineering prowess.

Shockwaves

The US Environmental Protection Agency (EPA) said on Friday Volkswagen could face penalties of up to $18 billion for cheating emissions tests on some of its diesel cars. The story has sent shockwaves through the car market, with dealers in the United States reporting people holding back from buying diesel cars and "#dieselgate" trending on Twitter. Diesel engines account for less than 3 percent of new cars sold in the United States but around half of cars in Europe, where governments have encouraged their use to meet fuel efficiency and greenhouse gas targets.

Their biggest selling point is their fuel economy and low carbon emissions compared to standard gasoline engines. But they also emit far more nitrogen dioxide, a toxic gas blamed for health problems. The suggestion that their emissions in real world conditions are worse than reported in tests could harm the whole sector and alter the future of the car industry worldwide. "The Volkswagen issue is another blackeye for the diesel engine overall," Mike Jackson, the chief executive of the AutoNation, the largest US car retailer, told CNBC, adding the "brand position" of Volkswagen was at risk in the US market.

Volkswagen said on Tuesday it was setting aside Ä6.5 billion ($7.3 billion) to help cover the costs of the crisis. Analysts doubt that will be enough, with the company disclosing that 11 million of its cars were fitted with Type EA 189 engines that had shown a "noticeable deviation" in emission levels between testing and road use. The US Justice Department has launched a criminal probe, a source familiar with the matter said. New York and other state attorneys general are also forming a group to investigate.

'Investor's Nightmare'

Environmentalists have long complained that carmakers game the testing regime to exaggerate the fuel-efficiency and emissions readings of their vehicles. European politicians yesterday voted to speed up rules to tighten compliance with pollution limits on cars. European car association ACEA said that so far there was "no evidence that this is an industry-wide issue". But Societe Generale analysts said that while the uncertainty prevailed, the whole autos sector was likely to be "dead money" for a while. — Reuters

OPEC focuses on rival mega projects, lives with shale

DUBAI: After almost a year of painfully low oil prices, OPEC members are beginning to believe they are winning against upstart US shale producers in a short-term market share contest. Yet insiders and experts say OPEC is looking for a longer-lasting impact on other high-cost production oil field plans, many in deep oceans, with bigger time scales, even if that means a period of cheap oil prices lasting for years. Privately, OPEC's core Gulf members say they have resigned themselves to the idea that the US shale industry's high-tech flexibility means it will respond quickly when prices start rising again, making the United States the new swing producer in world oil, the role held for so long by Saudi Arabia.

"The oil surplus is slowly being drawn from the market. US oil production is expected to fall to less than 9 million barrels per day by the end of this year or early next year," said an OPEC delegate from a Gulf oil producer. "But there is one point that no one is looking at which is the delay in the longer-term oil projects, these are 4-5 year projects. The postponement of these projects will impact the overall supply in the market."

The short investment cycle of US shale, where it takes about few months before returns are seen, make it the most sensitive to oil price fluctuation - either way. Thus the spike in oil prices in June where US crude was trading above $60 a barrel drew out more shale output but the price drop in August will reverse that, OPEC sources say. And even if rising prices pushed supplies up again, in the long run, higher production from shale is expected to be offset by lower production from conventional high-cost offshore projects from countries such as Brazil and Mexico, the sources say.

"Shale will be a new swing producer of sorts," said Yasser Elguindi of economic consultants Medley Global Advisors. "Because of its shorter investment cycle, when prices fall shale producers will be the ones to cut first, but likewise when prices go up, they will also be the first to bring up production. "This complicates life for those who are looking at investments that have a 2-5 year investment horizon. But again, the idea is to find the price level that slows down the rate of growth considerably to something more sustainable-and that takes more than 2 to 3 quarters of lower oil prices."

The drop in oil prices has forced companies to free up capital to help balance their books at the expense of allocating cash to expensive new projects. In some cases, investment decisions have been delayed to allow more time to reset cost structures on projects. Companies such as BP, Total and Norway's Statoil have postponed projects ranging from the Gulf of Mexico to the UK North Sea, Nigeria and Indonesia and dozens of other projects would be also likely delayed, according to Norwegian consultancy Rystad Energy.

Consultancy Wood Mackenzie estimated around 10.6 billion barrels of oil equivalent potentially retrievable from deep and ultra-deep offshore projects has been deferred, followed by 5.6 billion barrels trapped in oil sands. "We've slowed the pace in deep water." Ben Van Buerden, chief executive of Royal Dutch Shell's, said in January. Global deepwater production reached 8.8 million barrels per day in 2014, almost 10 percent of global demand.

Sweet justice: Lindt beats Haribo

BERLIN: Lindt savored a victory over Haribo yesterday in a long-running legal battle after a German federal court ruled that the chocolate teddy bears made by the Swiss giant were not a copy of the German sweets maker's gummy bears. "Lindt's sale of bear-shaped chocolates wrapped in a golden foil with a red ribbon is neither a violation of Haribo's 'Gold Bear' trademark nor an illegal imitation of the fruit gum products," the court ruled.

COLOGNE: This combo of photos shows a gold gummy bear made by Haribo (right) and a foil-wrapped chocolate teddy. — AFP

The German candy manufacturer had taken Lindt & Spruengli to court in 2012 after the Swiss chocolatier began selling their "Lindt Teddy" figurines in 2011 for the Christmas season. Haribo claimed that the gold-foil packed Lindt teddies were an imitation of the gold colour bear illustration - which also features a red ribbon around its neck - on its jelly bear packaging.

The Swiss company argued however that the teddy bear figurines were inspired by its best-selling "Gold Bunny" chocolates, which are also wrapped in a golden foil and decorated with a red ribbon and a little bell. The bunnies were first produced in 1952, and are best-sellers during the Easter season. A German court had initially ruled in favor of Haribo but an appeal court threw out that verdict, finding that the chocolate teddies could not be mistaken for Haribo's jelly sweets. To end the dispute, the case was then brought to the Federal Court of Justice for a final ruling.

For the court, the chocolate teddies bore no resemblance to the much smaller jellies. The 2-centimetres (0.78-inches) tall gummy bear has become the best-known product of Haribo, a company created in 1920 in the western city of Bonn. First sold in its current form in 1967, about 100 million such bears are now produced daily. Lindt meanwhile claims on its website that its teddy "sets ... more than 60 million hearts racing" every year.

Lawsuits over product trademarks are often brought in Germany, where the justice system is generally viewed as offering strong protection against violations. Also on Wednesday, the same court issued a ruling on a dispute brought by Germany's Sparkasse savings banks against Spain's giant Santander over the red colour used on their logos. The German bank claims it has the exclusive right to that tint in Germany. But the court ruled that the case needs to be heard again on appeal. In another similar case, Beiersdorf has been arguing before German courts that the blue color used on its Nivea cream tin boxes cannot be used by rival Unilever in its products. — AFP