

North America HVAC News

January 2010



International Market Strategy

Topics

USA	U.S. Reports Upturn in Home Building
USA	Economists Expect Recovery to Stick, See Slow, Steady GDP Rise
Canada	Industry Forecast Shows Increase for Residential Air Conditioning
USA	San Diego Propane Users To Lose Solar Water Heater Subsidy
USA	HONEYWELL Sees Adjusted Profit Growth For 2010
USA	SEIA Presents 15% By 2020 Plan, Solar Bill Of Rights At COP15
USA	HUBBELL Acquires VAUGHN THERMAL CORPORATION
USA	GE Gets Contract for Big Wind Farm in Oregon
USA	RINNAI Adds Condensing Technology to Product Portfolio
USA	AHRI Commends ENERGY STAR Designation for Geothermal Heat
USA	EXXON's Natural Gas Holdings Grow With \$31 Billion Deal
World	Yes, China Has Fully Arrived As A Superpower



USA: U.S. Reports Upturn in Home Building

16 December 2009 -- Builders broke ground on homes at a faster rate in November, the government said Wednesday, offering some hope that construction would continue to grow modestly and help stimulate the broader economy.

Home construction increased to a seasonally adjusted annual rate of 574,000, the Commerce Department said, up 8.9% from October. Analysts attributed the increase to unexpectedly warm and dry weather in November after an unusually cold and wet October.

The number of building permits, an indicator of future construction that is not influenced by weather, rose 6% in November, reaching the highest level in a year after declining in October. Apartment construction, which remains in a deep slump, backed off slightly from a 40-year low, reaching an annual rate of 92,000. Single-family home construction grew 2.1%.

Thomas A. Lawler, founder of LAWLER ECONOMIC AND HOUSING CONSULTING in Virginia, said construction was still proceeding at a relatively slow pace, which he said was encouraging because it would allow vacant homes already on the market to be sold.

"Everyone still agrees that there is a disturbingly high level of vacant homes still on the market," Mr. Lawler said. "The best thing that can happen would be a continued subdued pace of construction."

Economists expect demand for homes to remain at modest levels through the spring, propped up by a government tax credit of up to \$8,000 for first-time buyers, which expires in April.

Home construction has a powerful ricochet effect through the economy. After a house is sold, consumers typically need refrigerators, appliances and furniture. Some economists estimate that construction alone will add 0.5% to gross domestic product in the fourth quarter.

A separate report released Wednesday showed that inflation appeared to be largely under control: consumer prices, excluding volatile food and energy costs, remained virtually unchanged in November. Declining rents helped offset an increase in the price of cars, tobacco and airline tickets.

When food and energy were added, the Consumer Price Index rose 0.4% in November, largely because of a 6.4% jump in gasoline prices and a 7.3 percent rise in oil prices. On Tuesday, a report on producer prices showed unexpected gains in wholesale prices because of high energy costs, which economists expect to subside in the months ahead.

Compared with a year ago, consumer prices were up 1.8%.

Even as prices show small increases, the Federal Reserve, the nation's central bank, remains unconcerned about inflation. On Wednesday, the Fed reiterated its promise to keep interest rates low for an "extended period," saying inflation would "remain subdued for some time."

Still, companies are finding it difficult to pass along higher prices to consumers, given high unemployment and idle production capability. On Tuesday, BEST BUY, for instance, said its profit margins would fall during the holiday season because of deeply discounted computers and televisions.



“When you’ve got wild unemployment around the world, and very low capacity utilization, it’s a real competition to get people to buy your products and you compete for lower prices,” said Robert J. Barbera, chief economist for ITG. “It’s hard to tell an inflation story with that kind of excess capacity.”

A third report released Wednesday showed the current-account deficit rising in the United States because of an increase in oil imports and industrial goods in the third quarter. The deficit widened to \$108 billion in the third quarter, an increase of 10.3% from the previous quarter, the Commerce Department said.

Source: The New York Times



USA: Economists Expect Recovery to Stick, See Slow, Steady GDP Rise

4 December 2009 -- Nearly four of five economists surveyed by USA TODAY say the stock market rally since March is heralding a sustainable recovery.

If they're right, the nation won't slip back into recession nor will the Dow Jones industrial average plunge anywhere near its March low of 6547.05. The Dow sank nearly 3% Friday to close at 9713 after the government reported consumer spending fell 0.5% in September.

"The first thing to recognize is the March low was a wild overreaction," says Joel Naroff of NAROFF ECONOMIC ADVISORS.

Still, he looks for the market to rise or fall 10% in the months ahead because of uncertainty about the recovery's strength.

Although the economy grew at a healthy 3.5% annual rate in the third quarter, a wide majority of the 46 economists surveyed say the rebound will be slow, or U-shaped, as the expansion decelerates.

Many economists attribute the surge to one-time sparks such as the cash-for-clunkers program, which ended in August; low inventories that are forcing businesses to boost production to restock; and an \$8,000 tax credit for first-time home buyers that's set to expire Nov. 30.

Without sustained demand, economists surveyed see growth slipping to 3% or less through 2010. Consumers don't have the (stock market or housing wealth) ... to get extra money to do all the big-ticket purchasing," Naroff says.

About 60% of the economists expect unemployment to peak in the first quarter. The jobless rate — which hit a 26-year high of 9.8% in September — could climb to 10.2%, based on the median survey estimate.

Despite some recent improvement in housing prices, nearly half the economists don't see home values bottoming until the first half of 2010 or later as more foreclosed homes flood the market.

Sung Won Sohn, economics professor at California State University, was the lone economist surveyed who believes the economy will dip back into recession by early 2011 before mounting persistent growth. Among other things, he cites depletion of the \$787 billion economic stimulus funding late next year.

Yet most economists don't favor additional government aid. Three-quarters don't think the economy needs a second stimulus, and almost 60% don't support an extension of the tax credit for first-time home buyers. Most, however, favor a fourth extension of unemployment benefits.

Some are more upbeat. Dean Maki of BARCLAYS CAPITAL predicts a sharp V-shaped recovery. He says the production boost needed to offset a record drop in inventories will lift incomes and consumption while a rising stock market next year prompts consumers to open their wallets.

Source: USA Today



Canada: Industry Forecast Shows Increase for Residential Air Conditioning

4 December 2009, Mississauga, Ontario – The HRAI annual statistics forecast for the year 2010 projects that shipments of residential air conditioning will increase by 3% while commercial air conditioning shipments will decrease by 8% over the projected 2009 figures.

The 2008 actuals, projected 2009 and forecasted 2010 figures are as follows:

- Commercial air conditioning: Actual shipments in 2008 were 45,853. The projected year-end figure for 2009 shows a decrease of 9% to 39,000 while the forecast for 2010 projects an 8% decrease to 35,787.
- Residential air conditioning: Compared to the actual 2008 shipments of 228,110 the projected 2009 figure decreases by 19% to 185,000. The 2010 forecast increases over 2009 by 3% to 191,000.
- Residential furnaces: Actual 2008 shipments were 301,375. The projected year-end figure for 2009 shows a decrease of 6% to 283,000. The forecast for 2010 decreases over 2009 by less than 1% to 282,000.

Source: www.hrai.ca



USA: San Diego Propane Users To Lose Solar Water Heater Subsidy

9 December 2009 -- Alert to homeowners who heat their water with propane: The local subsidy for buying a solar water heater will soon gone.

The energy-efficient water heaters have been subsidized for two years in San Diego County under a pilot program run by the California Center for Sustainable Energy. Despite having installed only 300 systems, the program has been deemed a success and will be offered statewide on April 1. But one group will be left out ---- propane users.

Because the subsidy is funded by utility ratepayers, and propane users aren't connected to utility-run natural gas lines, the 28,101 households in San Diego County that heat their homes with propane will no longer be eligible for the incentive, said Katrina Phruskukarn, the manager for the Center's solar water heating program.

In San Diego County, propane users are concentrated in Escondido, Vista and Fallbrook, Phruskukarn said.

Solar water heating has been touted by energy-efficiency advocates for its ability to slash energy used for water heating by an average of 75%, installers say. In a typical system, water is heated through an array on the roof that collects solar heat to warm the water. Sometimes it can reach temperatures exceeding 160 degrees, said Barry Butler, who runs Butler Sun Solutions in Solana Beach.

"We have to blend it with cold water to get it down to usable temperatures," Butler said. "We have some customers who turn their gas off except for the colder times of year."

But because natural gas prices are low, installers say it can be difficult to persuade people to make the switch.

The higher price of propane makes those customers a better sales target, said Bahmram Shadzi, owner of an Escondido-based installer called Cosmic Solar. He's worried that the change in the subsidies will cost him part of his customer base.

"It will definitely hurt," he said.

Solar water heaters enjoyed a boom in the early 1980s after President Jimmy Carter set up federal subsidies toward the end of his administration. But these early products didn't last, and often broke down when the temperature dropped below freezing and pipes burst.

Now, to be eligible for the subsidy, water heaters must include some kind of anti-freezing mechanism.

"We find water temperatures in the collector at night can be eight to 10 degrees below the air temperature, so if the air gets down into the 40s, you risk a problem," Phruksukarn said.

Butler agreed that the antifreeze was necessary.



"These things should run for 50 years without a hitch," he said. "But in the old days, you got one cold night in 10 years and pipes could burst and you'd have an expensive repair."

When the new program starts in April, it will raise the initial subsidy from \$1,500 to \$1,875, and it will include a substantial outreach program to overcome the negative reputation left over from those early days.

Propane users looking to beat the deadline must apply for subsidies by Dec. 31, and they have up to three months to complete the installation.

Source: www.nctimes.com



USA: HONEYWELL Sees Adjusted Profit Growth For 2010

16 December 2009, New York -- HONEYWELL INTERNATIONAL INC. said Wednesday it expected adjusted profit growth next year, helped by improving margins and a push by commercial property owners to drive down their energy costs.

At the same time, the Morris Township, N.J., conglomerate faces a big jump in pension expenses, hitting an estimated \$850 million in 2010, up from \$120 million this year. As a result, HONEYWELL's full-year net income will fall by 13% to 21% to an earnings-per-share range of \$2.20 to \$2.40 a share.

Excluding pension costs, HONEYWELL said it expects to make an adjusted profit next year of \$3 to \$3.20 a share, up 1% to 8%. Analysts polled by FactSet Research forecast 2010 earnings of \$2.52 a share, on average.

The company projected sales in 2010 to grow 1% to 4% from this year to a range of \$31.3 billion to \$32.3 billion. Wall Street expected sales of \$31.6 billion.

Free cash flow for 2010 is expected to be in the range of \$2.4 billion to \$2.7 billion, compared with an estimated \$3 billion in 2009, the company said.

Today most of our end markets are seeing signs of stabilization, with improving order rates in most areas of the portfolio and in some markets, like transportation, we're actually seeing positive momentum," said Chief Financial Officer Dave Anderson, on a conference call with analysts.

Investors were not impressed. Shares of HONEYWELL fell 2% to close at \$40.37. The stock has had a bumpy ride over the past 12 months as the recession took grip, spiraling down to a six-year low in March at \$23.06 before bouncing back to trade 23% higher than where it started the year.

"We note that the forecast ranges are appropriately wide given the uncertainty about the pace of the global recovery," said GimmieCredit bond analyst Carol Levenson, in a note to clients.

HONEYWELL also reaffirmed its 2009 profit guidance of \$2.85 a share on sales of about \$31 billion. The Wall Street consensus is for full-year earnings of \$2.84 a share.

In the limelight was the company's automation and control solutions segment, or ACS, which makes energy, safety and security products for buildings and industry. New commercial construction is expected to be off by as much as 20% next year, but retrofit opportunities -- which represents two-thirds of the unit's total revenue -- is expected to grow.

"We continue to see signs of life in the fourth quarter for retrofit and as we look forward to 2010," said CFO Anderson. "Distributor restocking is certainly contributing, but the main factor is the energy retrofit activity that we're experiencing, particularly within infrastructure and institutions."

Orders related to energy efficiency are up 20% this year, Anderson said.

Meanwhile, industrial production growth in China and India bode well for ACS control and automation devices.

ACS is HONEYWELL's largest segment in terms of sales, representing about 38% of total sales in



2008 and followed by its aerospace segment.

With more than 128,000 employees worldwide, HONEYWELL provides aerospace products and services and control technologies for buildings, homes, industry, automotive products, turbochargers and specialty materials.

HONEYWELL's core businesses are in industries that bore the brunt of the economic downturn in the past two years. Global air traffic has been shrinking, there is less demand for cars and trucks and commercial construction has declined.

To compensate, the manufacturer has been shrinking its business, shedding hundreds of jobs to lower its fixed costs.

Source: www.marketwatch.com

USA: SEIA Presents 15% By 2020 Plan, Solar Bill Of Rights At COP15

17 December 2009 -- Leaders representing the U.S. solar energy industry reported the potential of solar energy to meet 15% of U.S. energy needs by 2020. The presentation was made at a United Nations Framework Convention on Climate Change press briefing in the Bella Center, where the United Nations Climate Conference (COP15) is under way.

The "Expanding Solar Energy in the United States" briefing was hosted by the Solar Energy Industries Association (SEIA) and also featured a presentation of the Solar Bill of Rights, which SEIA says is needed to rapidly deploy solar energy to fight climate change and create jobs.

"The evidence is clear on the problem of climate change: we need to do more and do it quicker," said Rhone Resch, president and CEO of SEIA. "Solar energy is our immediate solution. The solar industry is ready now to do more, do it faster and create jobs. The only things holding solar back are antiquated policies developed over the last century that favor polluting sources of energy."

In a report released jointly with solar industry groups representing more than 90 countries, SEIA presented an accelerated solar deployment scenario for the U.S. to meet 15% of electricity needs by 2020. Twelve percent would come from solar electric power generated by photovoltaic solar panels and concentrating solar power plants. Another 3% of electricity would be offset by solar thermal systems.

The report also noted the key policies needed for the industry to scale up and compete effectively. These policies are conveyed in the Solar Bill of Rights, unveiled by Resch. The platform lays out eight basic rights that give the solar industry equal access to the electricity marketplace and levels the playing field with the fossil fuel industries.

Source: Solar Energy Industries Association



USA: HUBBELL Acquires VAUGHN THERMAL CORPORATION

6 October 2009, Stratford, CT -- HUBBELL ELECTRIC HEATER CO. announces that it has acquired VAUGHN THERMAL CORPORATION and its subsidiary, VAUGHN MANUFACTURING.

HUBBELL's acquisition of VAUGHN expands both companies' product lines and enables new growth opportunities. HUBBELL will continue to develop and improve VAUGHN's manufacturing, marketing, sales and post sales support systems while making sure that both company brands are kept intact and independent of each other. Together, the two companies will meet a wider set of customer needs and have a significantly greater opportunity to grow into new markets.

"Both HUBBELL and VAUGHN are passionate about creating and developing quality products, and by integrating the best business and product development practices from each company we will continue to grow our position in the marketplace" said Bill Newbauer III, chief operating officer of HUBBELL. "This acquisition helps to ensure that we remain a powerful force in developing new and innovative water heating products while maintaining the customer centric philosophy both companies are known for."

Integration

The acquisition will be a seamless transaction keeping staff, sales and manufacturing locations for both companies intact. "The primary motivation for this acquisition is to continue to expand and grow our business into new markets," said Mr. Newbauer.

About VAUGHN

Headquartered in Massachusetts since 1961, VAUGHN THERMAL CORPORATION is the world leading manufacturer of cement lined water heaters. The company manufactures its electric, solar and indirect water heaters for residential applications, and also manufactures electronic energy controllers and electronic devices used by electric utilities for load controlling water heaters.

About HUBBELL

Headquartered in Connecticut since 1920, HUBBELL ELECTRIC HEATER COMPANY is a leading manufacturer of a wide range of water heating products serving the residential, commercial, industrial, marine/Navy, and food service industries. HUBBELL is committed to being a reliable choice for our customers by providing well-built products and superior service.

Source: www.hubbellheaters.com



USA: GE Gets Contract for Big Wind Farm in Oregon

10 December 2009 -- The largest wind farm proposed in the U.S. will be built in Oregon and provide enough power for 235,000 homes and use \$1.4 billion in turbines and services from GE (GE), the companies said Thursday.

When completed in 2012, the \$2 billion Shepherds Flat wind farm will be larger than any wind farm in operation worldwide, GE says. Now, the largest operating wind farm in the world is the 781-megawatt farm near Roscoe, Texas, the American Wind Energy Association says. The Oregon farm is planned to cover 30 square miles and produce 845 megawatts of power.

Wind farms have ratcheted up in size in recent years as developers seek economies of scale, says Vic Abate, GE vice president of renewables.

The larger projects also underscore the rapid rise of wind-generated power in the U.S. In the past two years, 40% of new electricity added to the grid came from wind, Abate says. Wind generates about 2% of the nation's electricity.

It's growing abroad, too. Earlier this year, a 1,000-megawatt offshore wind farm was announced that's expected to supply power to a quarter of the homes in the greater London area. That first phase of the project is also expected to be completed in 2012 and will be 630 megawatts, the developers have said. The second phase would take it to 1,000 megawatts.

Oregon ranks fifth among states in existing wind projects, following Texas, Iowa, California and Minnesota, the American Wind Energy Association says. Oregon has been aggressively pursuing renewable-energy firms with a 50% tax credit to offset capital costs.

Although in Oregon, the Shepherds Flat farm will supply energy to California's SOUTHERN CALIFORNIA EDISON utility, which must secure 33% of its power from renewable sources by 2020.

The Shepherds Flat farm is being built by New York-based CAITHNESS ENERGY. Construction will begin next year. In addition to supplying 338 wind turbines, GE will provide 10 years of operational and maintenance services to the project.

The farm, to be constructed in north-central Oregon in Gilliam and Morrow counties, will employ 400 workers during construction and 35 during operation, CAITHNESS ENERGY says. It's received the majority of the permits it needs, the companies say. Gilliam County has 1,850 people, County Judge Pat Shaw says. "This is a big thing," she says.

Source: USA Today



USA: RINNAI Adds Condensing Technology to Product Portfolio

13 October 2009, Peachtree City, GA -- RINNAI introduces new highly-efficient tankless water heaters.

RINNAI CORPORATION, manufacturer of the number one selling brand of tankless gas water heaters in North America, introduced new condensing tankless water heaters and condensing wall-mounted boilers this past September. These new products incorporate condensing water heating technology for superior energy-efficiency and supreme performance. RINNAI's new condensing tankless water heaters and wall-mounted boilers recapture residual heat from flue gases and transfers it into the water being heated. The company's foray into condensing water heater technology is further evidence of RINNAI's ongoing commitment to providing the latest and most advanced home heating and tankless water heating solutions to consumers.

"At RINNAI, we're dedicated to developing gas heating appliances that improve a homeowner's life, and we accomplish this by offering them increased comfort, convenience, energy cost savings and space savings through our energy-efficient products," said Phil Weeks, general manager of RINNAI AMERICA CORPORATION. "The addition of the new condensing tankless water heaters and boilers to our product portfolio enables us to offer consumers a wider range of energy saving technologies, which helps to ensure that each home receives the right solution to meet its individual needs."

RINNAI Condensing Tankless Water Heaters

RINNAI's condensing water heating technology offers all of the lifestyle benefits of traditional tankless water heaters—including continuous hot water and the ability to run multiple hot water appliances at the same time—coupled with even greater energy savings. RINNAI's unique condensing design incorporates two innovative heat exchangers to achieve optimum water heating value from every cubic foot of natural gas or propane, and the units are ENERGY STAR qualified. The condensing process delivers up to 95% thermal efficiency, which translates to significant energy savings when compared to traditional gas tank water heaters. Available in four models, the condensing tankless water heaters are designed to meet the needs of mid- to large-sized homes and can be banked for even greater capacity. Like all RINNAI tankless water heaters, the condensing tankless water heaters contain commercial grade heat exchangers, making them an ideal choice for both residential and commercial applications.

In addition to the units' lifestyle and energy saving benefits, the RINNAI condensing tankless water heaters utilize a unique concentric venting system that is specifically designed for gas appliance venting. This results in an overall safer and easier-to-install product. The concentric venting design is a safer option for consumers due to the use of a polypropylene inner pipe, which is designed to withstand varying flue temperature conditions that may be experienced over the life of a product. Also, since RINNAI's concentric venting system uses just one pipe that is fit and locked into place without glues or solvents with expandable gasket seals at pipe joints, the risk of gaps is virtually eliminated, further contributing to the safety of the system; plus, installers appreciate the simplified, quicker installation afforded by the single pipe.

RINNAI Condensing Wall-Mounted Boilers

RINNAI's new wall-mounted boilers use condensing technology to heat an entire home and provide domestic hot water, while operating at up to a 96.5 percent AFUE efficiency. The units are ENERGY



STAR qualified and use considerably less energy than a traditional gas boiler. RINNAI's condensing boiler units are easily retrofitted to replace traditional, less efficient boilers or can be used in new construction to provide simple, space-saving installations in new homes, and all seven models feature RINNAI's exclusively designed stainless steel heat exchanger to deliver unparalleled performance and efficiency.

To meet a consumer's individual application needs, the boiler units are available in two series—the RINNAI E Series, which is designed for homes with small domestic hot water requirements, and the Q Series, which works in all homes, even those where more substantial demands call for zone heating. The E Series uses an integrated single-speed pump and expansion tank to supply a home with heat as well as hot water. Units in the Q Series feature a fully modulating pump, making them some of the highest efficiency units on the market. The Q Series includes four heating-only models plus a combination unit that also supplies domestic hot water.

Source: www.rinnai.us

USA: AHRI Commends ENERGY STAR Designation for Geothermal Heat Pumps

15 December 2009, ARLINGTON, VA. -- The Air-Conditioning, Heating and Refrigeration Institute (AHRI) today commended the Environmental Protection Agency for the agency's recent announcement of new requirements for residential geothermal heat pumps, which enabled water-to-water geothermal heat pumps to earn the ENERGY STAR label for the first time.

The stringent specifications for this new category of geothermal heat pumps, which were requested by AHRI's applied packaged equipment section, will help protect the environment and reduce energy costs because the geothermal heat pumps that meet the new standards will be up to 45% more efficient than conventional models.

AHRI noted that the EPA worked with industry stakeholders to revise the requirements in response to growing consumer demand for water-to-water geothermal heat pumps —demand partly brought on by the significant federal tax credits that are available for the products.

"We are grateful to the EPA staff for their willingness to work with AHRI to add this new GHP category to the ENERGY STAR program," said Karim Amrane, AHRI's vice president of regulatory and research. "The designation, combined with the tax credit, will help our manufacturers sell more highly efficient products, which will create more jobs."

The new requirements for water-to-water equipment complements existing efficiency and performance requirements for water-to-air and direct geexchange geothermal heat pump models. Homeowners who install geothermal heat pumps with the ENERGY STAR are eligible for a 30% federal tax credit.

Source: www.contractormag.com



USA: EXXON's Natural Gas Holdings Grow With \$31 Billion Deal

14 December 2009 -- In the biggest energy deal in years, EXXON MOBIL said on Monday that it had agreed to buy XTO ENERGY, a domestic producer of natural gas, in an all-stock deal valued at \$31 billion to increase its holdings in unconventional resources in the United States.

The deal includes the assumption of \$10 billion in debt.

The purchase allows EXXON, the world's largest publicly traded oil company, to expand in shale gas, an area that has grown tremendously in the last few years. It will give EXXON the equivalent of about 45 trillion cubic feet of natural gas throughout the United States.

The acquisition extends EXXON's bet that fossil fuels will remain a critical part of the nation's energy supplies for decades to come. Natural gas is a cleaner-burning fuel than coal, with half the carbon dioxide emissions. For that reason, it is considered as a potential "bridge fuel" on the lengthy path to a renewable, carbon-free economy.

"XTO is a leading U.S. unconventional natural gas producer, with an outstanding resource base, strong technical expertise and highly skilled employees," Rex W. Tillerson, EXXON's chief executive, said in a statement.

"XTO's strengths, together with EXXON MOBIL's advanced R.&D. and operational capabilities, global scale and financial capacity, should enable development of additional supplies of unconventional oil and gas resources, benefiting consumers both here in the United States and around the world." In recent years, energy companies have discovered large reserves of natural gas tightly trapped in shale rocks in Texas, Colorado and Wisconsin, as well as in the Northeast. The discoveries have led to a gas drilling boom that has greatly expanded domestic resources, while also raising some environmental concerns.

The term unconventional resources is applied to a broad category of fuels like shale gas, tar sands and other forms of oil and gas that require sophisticated technology to extract. Unlike traditional oil and gas supplies, which have been declining, reserves of unconventional resources are growing with new discoveries.

The XTO purchase could give rise to a new round of mergers and acquisitions in the energy sector, which has been fairly quiet recently as valuations skyrocketed when oil and gas prices soared.

But as energy prices have declined, so have energy stocks.

Natural gas prices have fluctuated wildly in recent years. They recently traded at \$5.33 per thousand cubic feet in New York, after falling as low as \$2.50 in September. At their highest, in 2004 and in 2008, gas prices rose above \$14 per thousand cubic feet.

EXXON has been on a spending spree recently. This year, the company announced it would spend \$600 million in research and development of biofuels made from algae; it has offered \$4 billion for a stake in an oil field offshore in Ghana; and it has bid strongly for fields in Nigeria and Iraq.

In its statement, EXXON suggested more acquisitions might follow. "The agreement is part of an ongoing, disciplined evaluation of timely investment opportunities to create value for shareholders,



and to help meet long-term global energy demand growth,” it said.

EXXON will set up a production unit to manage its global portfolio of unconventional resources, which include shale gas, tight gas, coal bed methane and shale oil. It will be based in Fort Worth in XTO’s current offices.

EXXON already has unconventional holdings in Argentina, Canada, Germany, Hungary, Poland and the United States.

Under the terms of the deal, EXXON will pay XTO shareholders 0.7098 common shares for each XTO share, or about \$51.69 based on Friday’s closing prices. EXXON said the deal represented a 25 percent premium for XTO’s shares. EXXON shares were down 4.6 percent in afternoon trading: XTO shares were up 14.7 percent.

The transaction is expected to close in the second quarter of next year. J. P. MORGAN SECURITIES advised EXXON on the deal, and BARCLAYS CAPITAL and JEFFERIES & COMPANY were XTO’s financial advisers.

Source: The New York Times



World: Yes, China Has Fully Arrived As A Superpower

15 December 2009 -- A remarkable 44% of Americans believe China is the world's leading economic power and only 27% think the U.S. is, according to a recent survey by the Pew Center. James Fallows, the Atlantic Monthly journalist, thinks that is proof that Americans have lost their minds. He argues that China can't be the world's leading economic power. Too many of its people live without indoor plumbing, no mainland science researcher has won a Nobel Prize and the country has no global brands. How can a place like that be an economic superpower?

The normally adroit Fallows surprisingly misses the real point. China already is a superpower in many regards. Despite its poverty, no matter what industry you're in or where in the world you operate, you can no longer ignore China's economic might. That is power.

Here are three trends to look for in 2010 that demonstrate China's superpower status:

First, China is wielding national influence in places it never affected before. Over the last several decades it provided an ideological counterpoint to the United States, doing business in its push for oil with unsavory regimes like Iran and Sudan that democracies traditionally wouldn't work with. Now China is gaining influence with America's closest allies, too. During the financial crisis it doled out billions in contracts in Great Britain and France. This year it surpassed the U.S. to become the largest trading partner of both Japan and Brazil. It conducts more than \$100 billion a year in trade with both the Middle East and Africa. In Africa it is laying down highways and other infrastructure projects. Already 750,000 Chinese workers have moved there.

Premier Wen Jiabao and the World Bank are even discussing ways to move textile factories from southern China to Africa. China's factories just might lift up Africa as no Western aid money has ever been able to do.

Look for Chinese companies to buy not just access to commodities but also Western brands, like VOLVO and HUMMER. Building brands takes decades. That's why so few Chinese brands have emerged globally. Chinese firms have traditionally focused on competing on price, but that's changing fast as they learn about marketing. Aggressive, impatient Chinese businesses don't want to take decades to build brands the way TOYOTA and SONY did, so they're looking to buy them from the West instead. My firm, the CHINA MARKET RESEARCH GROUP, interviewed 500 senior executives at 100 Chinese companies in 10 industries. Seventy percent of them told us they planned to use the downturn to speed up their international expansion, using both acquisitions and organic growth. They specifically aimed to tap into the U.S. and Western Europe with their cash wealth.

The second trend that shows that China is an established superpower, not just a rising one, is its emergence as a hotbed of innovation. Many analysts believe that Chinese are good at copying but not at innovating. That's just not true anymore.

The country has become the main recipient of venture capital money in clean technology. The government is trying to address soaring health care costs by reducing pollution and is actively encouraging foreign investment to do so, as I wrote in "China Is Pulling Ahead On The Environment." It is spending \$9 billion a month on clean energy research, and within five years it will become the world's largest producer of solar and wind energy. Most rural homes already heat water using solar panels on their roofs, and China is now exporting its wind power technology to the U.S. Its technology is being used to build a 36,000-acre wind farm in Texas.



At the same time, Chinese in the U.S. have been increasingly moving back to China, driven by the bad economy and visa hassles that arose from Bush administration policies. More than 1.5 million Chinese have studied abroad. Those who went to the U.S. in the 1980s and mid-1990s tended to stay, and they helped drive Silicon Valley's growth. Now most are moving back to China, and many are taking their companies public on NASDAQ. Robin Li, the founder of BAIDU, and James Jianzhang Liang and Neil Shen, the co-founders of CTRIP, which is listed on NASDAQ, all studied abroad before returning to China.

The third trend: Not only is China becoming ever more powerful economically; it is also starting to exert its political power more responsibly. Although it has been a bit combative on climate and carbon emissions at the Copenhagen conference, it has taken a leading role among the G-20 group of nations in helping push for effective responses to the world financial crisis. Partly because China is crucial to the world economy, G-20 is formally replacing G-8 as the main economic meeting of wealthy nations. Also China has become the key broker with North Korea in attempts to make that country less belligerent, and it will bring greater influence to bear in political discussions in the years ahead.

China is certainly not altogether as wealthy as the U.S. or Japan, as Fallows correctly observes. But it is emerging confident and relatively unscathed from the financial crisis. Some 80% of Chinese told us they were optimistic about their futures. At the same time, the unemployment rate in the U.S. is still far too high, and Japan has not only one of the world's highest per capita gross domestic products but also one of the highest suicide rates, with more than 30,000 citizens killing themselves in each of the past 10 years. The traditional powers aren't the dominant forces they once were, economically or otherwise.

People have been talking for years about China as an emerging global power. The reality is that in many ways it is now fully emerged. Growing economic strength begets power.

Shaun Rein is the founder and managing director of the CHINA MARKET RESEARCH GROUP, a strategic market intelligence firm. He writes for Forbes on leadership, marketing and China.

Source: Forbes