

Sustainable Finance Newsletter

Q2, 2024



Brief



Mashreq is firmly committed to *sustainable finance*, contributing significantly to the UAE's AED 1trn commitment. Pledging to facilitate US\$30bn by 2030, emphasizing substantial contributions to ESG milestones. Actively engaging in financing for a sustainable future, Mashreq demonstrates a proactive stance in addressing climate change nationally and globally.

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Top News Digest

GLOBAL NEWS

Climate Change to Cause \$38trn a Year in Damages by 2049

Climate change will inflict losses to the global economy worth an annual \$38trn by 2049, as extreme weather ravages agricultural yields, harms labor productivity and destroys infrastructure, according to researchers at the Potsdam Institute for Climate Impact Research (PIK). Planetary warming will result in an income reduction of 19% globally by mid-century, compared to a global economy without climate change, according to research published in Nature.

Debt and Climate Back On IMF, World Bank Spring Meetings Agenda

The spring meetings of the International Monetary Fund and the World Bank are due to open Tuesday, with two clear objectives: help countries combat climate change, and assist the most indebted nations. The meetings -- which bring central bankers together with finance and development ministers, academics, and representatives from the private sector and civil society to discuss the state of the global economy -- will kick off with the IMF's publication of its updated World Economic Outlook.

OECD Urges Governments to Factor Climate Resilience into Infrastructure Planning

Organization for Economic Co-operation and Development (OECD) has recommended governments to systematically factor climate resilience into infrastructure planning and decision-making, including by prioritizing sustainable projects, to help reduce societal and economic vulnerability and avoid long-term costs. In a new report, OECD has detailed the growing pressure of such climatic events on infrastructure in all sectors, from electricity, communication and transport networks to water and waste treatment, with developing countries often particularly hard hit.

US Fed Blocks Tough Global Climate Rules for Wall Street Banks

US regulators, led by the Federal Reserve, have thwarted a push to make climate risk a focus of global financial rules, according to people familiar with the matter. European central bankers have been advocating for the Basel Committee on Banking Supervision to agree on requiring lenders to disclose their strategies for meeting green commitments. In closed-door meetings, US officials have cited their narrow mandate and concerns that the Basel Committee was overstepping its purpose.

REGIONAL NEWS

ACWA Power Secures Landmark \$80mn Bridge Loan for Uzbekistan Projects

Saudi energy giant ACWA Power has secured an \$80mn equity bridge loan from the Bank of China for its Uzbekistan initiatives. The payment is split equally between Chinese yuan and US dollars, marking the first loan cooperation deal by a bank from the Asian country using its native currency involving a company from the Kingdom. ACWA Power said the fund will boost its Tashkent 200MW solar photovoltaic power plant and 500MW per hour battery energy storage system project in Uzbekistan. ACWA Power's Chief Financial Officer, Abdulhameed Al-Muhaidib, highlighted the significance of this milestone, citing its alignment with Saudi Arabia's Vision 2030 and China's Belt and Road initiative.

Egypt to Build Solar Power Stations Worth \$20mn

Egypt plans to build two solar power stations worth over \$20mn, financed by the European Union, according to the petroleum ministry. A \$11.34mn project at the Assiut Oil Refining Company with a capacity of 10MW is expected to be completed within 11 months. Another project to produce electricity from solar energy is planned at the Egyptian General Petroleum Corporation (EGPC) with a capacity of 6.5MW at an investment cost of \$10.42mn. The two projects will be financed through an EU grant.

Shell Eyes Early 2030s Launch for Green Energy Oman Project

Shell has announced that Green Energy Oman (GEO), one of the largest green hydrogen projects proposed for development in the Sultanate of Oman, is scheduled to begin operations in the early part of the next decade, according to a report. GEO, supported by a multinational consortium led by Shell, is part of the initial wave of investments in the burgeoning zero-carbon energy sector, with six large-scale renewable hydrogen projects slated for development in Oman.

Saudi Arabia Unveils Green Finance Framework in Sustainability Push

Public and private participation in climate financing in Saudi Arabia is poised to receive a boost with the introduction of the Green Finance Framework. This initiative, launched by the Ministry of Finance, is aimed at propelling the nation toward its sustainability goals and achieving net zero emissions by 2060, Saudi Press Agency reported. The framework is expected to contribute to the efforts aimed at reducing emissions through a circular carbon economy approach, along with positioning Saudi Arabia as a regional leader in sustainable finance. It was in October 2021 that Saudi Arabia announced its ambitious goal to achieve net-zero emissions by 2060.

UAE NEWS

Masdar to invest heavily in green hydrogen projects: Chief Green Hydrogen Officer

Masdar, is ramping up its investments in green hydrogen by establishing a dedicated unit to develop specialized projects in this sector locally, regionally, and globally. This move will reinforce Masdar's leading position in developing renewable and clean energy projects worldwide and consolidate Abu Dhabi's pioneering role as a key player in the green hydrogen sector. Mohammad Abdelqader El Ramahi, Chief Green Hydrogen Officer, commented on the sidelines of the World Future Energy Summit in Abu Dhabi that this period is the best time to implement these projects in the UAE, aiming to allocate half of the targeted production capacity according to Masdar's announced strategy by 2030-2033, which is one mn tones per year of green hydrogen and its derivatives.

Ras Al Khaimah to Get \$3.2bn Battery Cell 'Gigafactory'

Statevolt plans to build a full-scale battery cell factory in Ras Al Khaimah, with a planned capital outlay of \$3.2bn. The battery cells that it will produce will be 'technology-agnostic', according to the promoters. Statevolt Emirates will implement a 'modular design' approach, allowing for a faster entry to market as well as a 'solution to diversify production based on technology readiness'. The gigafactory will offer battery cells with 'extended lifecycle', and which are adaptable to a range of climates and conditions. It will start producing semi-solid state battery cells, with the aim to move to solid state battery cells once the 'project reaches full capacity'.

UAE Partners with UN Climate Security Mechanism to Advance Climate, Peace and Security Agenda

UAE announced a new \$1.2mn partnership with the United Nations Climate Security Mechanism (CSM). The partnership entails a two-year annual contribution of \$600k from the UAE, demonstrating the nation's commitment to strengthen the UN's capacity to address the interlinkages between climate change, peace, and security. The UAE is the first donor from the Global South to contribute to the CSM.

Dubai Municipality Issues Guidance for Businesses on Single Use Plastics Ban

Dubai Municipality (DM) has published additional guidance for businesses on the single use plastics ban that was issued in January following a resolution by H.H. Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of Dubai Executive Council. It is aimed at individuals, public sector entities, private businesses, corporations, and institutions, promoting everyday sustainable practices in work and at home in line with Dubai Municipality's efforts to advance quality of life and sustainability. "Dubai Municipality is committed to transforming Dubai into a leading and sustainable global city.

Sustainability Case Study

Sustainability-Linked Loan for Dar Al Marefa School

About Dar Al Marefa

Part of Al Ghurair Investment, one of the leading diversified family business groups in the UAE, Dar Al Marefa School opened in September 2008 with a commitment to nurturing young minds and building a community dedicated to the shared pursuit of learning.

Dar Al Marefa is consistently ranked among the top learning institutions in the UAE, and is the only school offering a bilingual English–Arabic IB curriculum in Dubai.

Since growing into a full IB through-school, Dar al Marefa has continuously achieved excellent IB Diploma results, consistently delivering an above world average score of 30 points, year on year.

In partnership with parents, friends, and the local community, Dar Al Marefa aims to make a significant contribution to the UAE's next generation, instilling in them Emirati and Islamic values.



دار المعرفة
dar al marefa

Deal Overview

- Mashreq facilitated a 10-year Sustainability Linked Loan (SLL) to support in enhancing and ensuring the continuous development of highly qualified teachers in specialized fields, and provide students with access to high quality education through scholarships.
- SLL Key Performance Indicators:
 1. Enhance the Continuing Professional Development (CPD) hours for the school's educators.
 2. Award 10 scholarships for female students to enroll in Dar Al Marefa.

SAR 3,450mn and US\$ 200mn Murabaha Facility for Cenomi Centers

About Cenomi Centers

Cenomi Centers is the leading owner, operator and developer of contemporary lifestyle centers in Saudi Arabia. For over two decades, the company has provided customers with a complete range of high-quality lifestyle centers up to international standards, located in the most attractive areas of the country to satisfy all shopping needs and market requirements.

Today, Cenomi Centers has a portfolio of 22 assets, with circa 5,000 stores strategically located in 10 major Saudi cities. The Company's developments include several iconic lifestyle centers, such as Mall of Arabia Jeddah, Mall of Dhahran, and Nakheel Mall Riyadh, a consumers' favorite in the capital city. With a total GLA of nearly 1.4mn square meters, the company's malls provide Saudi shoppers with their preferred point of access to the full range of international, regional and local retail brands.



Deal Overview

- Cenomi Centers signed in February 2024 a Shariah-compliant guaranteed Murabaha credit facility agreement and a revolving Murabaha facility agreement with lower borrowing costs and more flexible covenants compared to existing facilities with multiple banks, for a total amount of \$1.39bn.
- Mashreq acted as Mandated Lead Arranger and Bookrunner (MLAB) and Sustainability Coordinator for the 12-year sustainability-linked Islamic facility (tranches A and B).
- SLL Key performance Indicators:
 1. Carbon Emissions Reduction - Reduce Scope 1 and 2 Emissions Intensity
 2. Increase the number of assets connected to the grid.
 3. Increase the number of women in leadership roles.

Regulatory Developments

US SEC Adopts Climate Rule that May Face Challenges Despite Dilution

Wall Street's top regulatory body voted to adopt a rule that would require public companies to disclose certain climate-related risks, a first-of-its-kind regulation that was watered down from an earlier draft.

First proposed in draft form in March 2022, the SEC rule aims to set a standard for how companies communicate with investors about greenhouse gas emissions, weather-related risks, and how they are preparing for the transition to a low-carbon economy.

The rule drops an earlier proposal to ask larger companies to gather and report data on planet-warming emissions from suppliers and end-users of their products, known as Scope 3 emissions, in some circumstances.

France Mulls Penalties to Rein in Ultra-Fast Fashion Brands

Fashion brands with ultra-fast product turnover should be subject to penalties of up to 50% of their garments' selling price to offset their environmental impact, French ruling-majority MPs have proposed in a new bill.

According to the bill, "this evolution of the apparel sector towards ephemeral fashion, combining increased volumes and low prices, is influencing consumer buying habits by creating buying impulses and a constant need for renewal, which is not without environmental, social and economic consequences."

EU Tries to Unlock Deal to Quit Contentious Energy Investment Treaty

The European Commission urged member states not to oppose reforms to an international energy treaty it says the bloc should leave anyway because it undermines efforts to fight climate change.

Allowing the treaty to be reformed would halve the time non-EU energy firms would continue to enjoy the pact's protections to their investments in the EU after the bloc's departure.

The 1998 Energy Charter Treaty allows energy companies to sue governments over policies that damage their investments and in recent years has been used to challenge policies that require fossil fuel plants to shut.



Mashreq Podcast - Sustainability Dialogue



Husam Abdel Al

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Blended Finance: A Powerful Avenue for Public-Private Collaborations

As we navigate the complexities of the global climate crisis, it becomes clear that innovative solutions are needed. The capacity of blended finance to bring together public and private capital presents a powerful avenue to accelerate the transition to a low-carbon economy. Estimates indicate that achieving net zero by 2050 will require \$2.7trn in global annual investments. Even though that may seem like a large sum of capital, it accounts for only 2.6% of global GDP. For instance, during the Covid-19 pandemic, the world mobilized about 20% of its GDP to overcome the health emergency.

Governments and the public sector cannot tackle this challenge on their own. While the public sector remains the largest originator of climate finance, the private sector must expand the volume of finance geared towards net zero. In the UAE, the government pledged \$125bn to reach net zero. Nevertheless, it is estimated that the country will need \$680bn to achieve that milestone. The \$555bn gap will need to be originated from the private sector.

Project Pipelines and Pricing Are Key to Unlock Financing from Banks

A common challenge for commercial banks when financing projects in emerging markets occurs when there is not a good pipeline of projects, or if there is a project pipeline, the project's pricing does not align with the banks' return perspective. In certain projects, bankability may be impacted by commercial feasibility or risky new technology.

Source: Mashreq Sustainability Dialogues

[Full Podcast Here](#) 

Select Sustainable Finance Issuances

Loan - Issuer	Industry	Country	Facility Type	Value (USD MN)	Issue Date
MENA					
Arabian Centres Company (Cenomi Centres)	Retail	Saudi Arabia	Sustainability-Linked	1,120	Feb 2024
Arab Petroleum Investments Corporation (APICORP)	Banking and Finance	Saudi Arabia	Green Bond	750	Apr 2024
EUROPE					
KfW	Banking and Finance	Germany	Green Bond	4,300	Apr 2024
Tatra Banka	Banking and Finance	Slovakia	Green Bond	373	Apr 2024
Ikano Bostad	Real Estate	Sweden	Sustainability-Linked	202	Apr 2024
Matrix Renewables	Renewables & Environment	Spain	Green	191	Apr 2024
ProCredit	Banking and Finance	Germany	Green Bond	133	Apr 2024
NEPI Rockcastle	Real Estate	Luxembourg	Green, Sustainability-Linked	62	Apr 2024
Ardian and Prelios SGR JV	Real Estate	Italy	Green	53	Apr 2024
European Investment Bank	Banking and Finance	Luxembourg	Sustainable Bond	38	Apr 2024
ASIA					
LG Electronics	Computers and Electronics Manufacturing	Asia	Sustainable Bond	300	Apr 2024
Avaada Energy	Renewable Energy Semiconductor Manufacturing	Asia	Green Bond	143	May 2024
Indorama Kokand Fertilizers and Chemicals	Agricultural Chemical Manufacturing	Asia	Sustainability-Linked	33	Apr 2024
Indo-Rama Synthetics	Textile Manufacturing	Asia	Sustainability-Linked	15	Apr 2024
NORTH AMERICA					
Ford	Automobile Company	USA	Sustainability-Linked	18,000	Apr 2024
IBRD	Banking and Finance	USA	Sustainable Bond	160	Apr 2024

MASHREQ LEAD ISSUANCES

Loan - Issuer	Industry	Country	Facility Type	Value (USD MN)	Issue Date	Mashreq Role
Aldar	Real Estate	UAE	Green Sukuk	500	May 2024	JLM and Bookrunner
DBK	Banking and Finance	Kazakhstan	Social Bond	220	April 2024	JLM and Bookrunner
DIB	Banking and Finance	UAE	Green Sukuk	1,000	Feb 2024	JLM and Bookrunner
QIIB	Banking and Finance	Qatar	Sustainable Sukuk	500	Jan 2024	JLM and Bookrunner
Arabian Centres Company (Cenomi Centres)	Retail	Saudi Arabia	Sustainability-Linked	1,120	Feb 2024	MLAB and Coordinator

Source: Environmental Finance, Secondary Research

Key Industry Highlights

Buildings Go Green: MENA Sees Sustainable Shift in Real Estate

In 2015, world leaders agreed through the Paris Agreement to limit global temperature increase to 1.5 degrees Celsius. To achieve this, the built environment must cut down on emissions by 50 percent by 2030. Moreover, it must achieve carbon neutrality by no later than 2050. In the Middle East and North Africa (MENA), the real estate sector takes an active role in introducing a sustainable shift, touting green projects that help contribute to the region's – and the world's – climate goals. As of August 2023, almost 5,300 projects in the MENA region, spanning over 1.5bn square feet, are embracing LEED. The sustainable shift in real estate and construction is imperative. According to the International Energy Agency (IEA), the operations of buildings account for 30 percent of energy consumption globally. Additionally, they contribute to 26 percent of global energy-related emissions.

MENA has been seeing a rise in sustainable structures in recent years. The UAE, in particular, is home to notable green projects, including Masdar City in Abu Dhabi and the world's inaugural LEED Platinum-certified mosque in Dubai. Back in 2010, the UAE introduced green-building standards to be applied across the country. In the same year, Abu Dhabi implemented mandatory efficiency standards for new buildings through its Estidama rating system, while Dubai passed its green-building regulations.

Today, the UAE continues to double down on sustainability as it prepares to host COP28. In December last year, it approved the landmark National Building Regulations and Standards. These aim to reduce energy consumption in buildings by up to 25 percent.

In Saudi Arabia, the country boasts the highest concentration of LEED-certified buildings in the Middle East. This uptick in sustainable real estate projects could be mainly driven by the country's objective of fulfilling 15 percent of its overall energy needs with renewable sources by 2030.

The integration of the sustainability aspect in constructing real estate poses various advantages. Foremost, sustainable buildings are energy-efficient. In the long run, it can help reduce utility expenses for occupants and operational expenses for developers and building owners.

Source: <https://tinyurl.com/2v99h854>



Top Monthly Social Media Posts



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