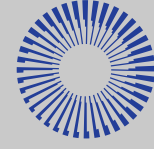




UNITED ARAB EMIRATES
MINISTRY OF INDUSTRY
& ADVANCED TECHNOLOGY



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MOIAT Global 2022 Roundtable Series WHITEPAPER

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THE FUTURE OF SUPPLY CHAIN OPPORTUNITIES
IN A POST-PANDEMIC WORLD

The COVID-19 pandemic and the war in Ukraine have forced many companies around the world to alter supply chains. Firms were pushed to reorganise production and distribution arrangements as mandated closures during the pandemic led to constraints on goods movements. The war in Ukraine added to the pressure this year, raising energy prices and threatening the security of gas and electricity supplies to industry and households.

Companies are now being compelled to produce regionally, nearer local markets, to build resilient supply chains so that they may better withstand disruptions from events such as pandemics, earthquakes, tsunamis and even cyber-attacks on information and data networks.

At a roundtable discussion in November, organised by the UAE's Ministry of Industry and Advanced Technology (MOIAT), national stakeholders showcased Abu Dhabi as an attractive manufacturing hub, highlighting the incentives available to French companies looking to set up industrial facilities in the capital of the United Arab Emirates.

Trade between France and the UAE was valued at about \$6.9 billion in 2021. The two countries, which have had an established strategic economic partnership since the 1970s, recently agreed to extend their areas



H.E. Omar Al-Suwaidi, Undersecretary, UAE Ministry of Industry & Advanced Technology (MOIAT)

of cooperation in several areas during the visit of the President His Highness Sheikh Mohamed bin Zayed Al Nahyan to Paris in July. The Comprehensive Strategic Energy Partnership aims to foster energy security and affordability and will identify shared investment projects in France, the UAE and elsewhere in the world in the fields of hydrogen, renewable energy and nuclear energy. The agreement paves the way for new industrial projects and will identify future shared investment projects and has the possibility of creating a bilateral fund for the financing of green projects.



UAE INCENTIVES
FOR INDUSTRY

Stable, Reliable Fuel Supply

The UAE sits on the world's sixth-largest oil and gas reserves and is in pole position to provide companies with competitively priced, stable and reliable fuel supplies, His Excellency Omar Al Suwaidi, Undersecretary at the Ministry of Industry and Advanced Technology told the roundtable participants. The war in Ukraine and the consequent increase in fuel prices has highlighted the need for securing alternative sources of energy and improving efficiency.

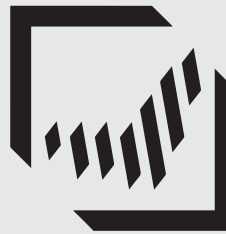
The UAE's robust oil and gas infrastructure has enabled industries to thrive, supporting the emergence of flagship companies such as Borouge, the world's largest single-site polyolefin producer, and Emirates Global Aluminium, one of the world's largest premium aluminium producers. The availability of diverse energy sources, including low carbon alternatives such as solar, hydrogen and ammonia, will also help companies manufacturing in the UAE meet their sustainability targets.

UAE Free Trade Agreements Are a Key Differentiator
The UAE is working closely with countries around the world to secure free trade agreements that enhance access to export markets for locally made products. It has already signed comprehensive economic partnership agreements with India, Israel, and Indonesia, soon to be followed by deals with Turkey, Australia, and Colombia. Its strategic geographical location and world-class logistics infrastructure perfectly complements its FTAs, providing unprecedented access to global markets from a stable base.



"As we have got more aggressive with our trade agreements, we've seen not only interest, but some movement from companies in India to set up in the UAE. The ease of doing business here, the infrastructure, the logistics, the ease of moving goods, not only back to India but across the world," said His Excellency Omar Al Suwaidi, Undersecretary at the Ministry of Industry and Advanced Technology. "Our vision is to be a hub for Asia and Africa. Kenya is on top of the list. There's a high probability that we enter negotiations with them for a free trade agreement. With Asia, FTAs with India and Indonesia have been ratified and there are many other neighboring countries that we're in negotiations with. These bilateral free trade agreements are going to differentiate the UAE from other countries in the region."

- **Credible and stable business environment**
- **Existing diverse and talented workforce**
- **100% foreign ownership and attractive fiscal and tax environment**
- **Competitive land and utility tariffs for gas and electricity**
- **Competitive financing for industry**
- **Rebates on operating and capital expenditure for targeted industries**



اصنع في الإمارات
MAKE IT
IN THE EMIRATES

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Competitive **energy cost** starting from
AED 0.18 / KWh (**\$0.05 / KWh**).

Availability of **gas feedstock** starting
from AED 12 / MMBTU (**\$3 / MMBTU**).

Industrial land rates starting from
AED 5/ sq meter (**\$ 1.36 / sq meter**)

UAE INCENTIVES FOR INDUSTRY

Working with Private Companies on Standards

The regulation of standards falls under the Ministry of Industry and is a key enabler of business as it certifies the conformity of products. The Ministry plans to develop 50% of its policies together with the private sector and is at close to 40% currently. The Ministry is also working continuously to simplify processes and expects to have the new Industrial Law announced soon. It is also working on reducing fees and the number of processes needed to register a business in the UAE.

Attractive License Fees

The MOIAT invites the private sector to discuss upcoming initiatives and regulations to understand the private sector's viewpoint and how it can serve them better. As an example, license fees for companies were recently reduced to AED 1000 after soliciting feedback.

Upskilling Talent

The shortage of talent has become a global issue. Abu Dhabi is looking to upskill the existing pool of Emiratis and graduates so that they match the demand of the industry. We are also attracting talent to the emirate through the Abu Dhabi Resident Office.



Adaptive Legal System

There are regulatory incentives to operating in the UAE and all intellectual property rights were reviewed in 2021, in consultation with the private sector, industry and professionals. The UAE now has a robust intellectual property framework, which is mandatory for the development of innovation. A key selling point of the country is that it has an attractive and adaptive legal system.



The Global Economy Faces Four Critical Challenges

By Dr. Monica Malik, Chief Economist, Abu Dhabi Commercial Bank

Energy crisis – even if the war in Ukraine ends tomorrow, it has underscored the necessity of diversifying sources of energy. Europe and Germany have built up gas inventories over the summer but there are still significant risks. Building inventories next year may prove even more challenging.

Disruption to supply chains – the pandemic may be coming to an end, but it has taught the world that there is a need for resilience to cope with similar disruptions in the future and to build reliable supply chains. An example of one concern is the concentration of production of energy storage batteries in China. The West is now looking at Australia as a source of alternative material, a reflection of changing trade routes.

Medium-term Inflation outlook – this has changed, even if energy prices decline. China will no longer be exporting cheap inflation anymore. There was a growing trade conflict between the US and China even before the pandemic and new restrictions are being placed on the transfer of technology, such as the ban on microchips.

Climate change – the world is seeing more and more weather events globally from floods to droughts, and that's also impacting food supply chains, which will feed into inflation.



The UAE as a solution

Growing trade links – in the 1990s, the UAE was a transshipment hub for the region from the Indian subcontinent. Today, the country is a conduit for goods from Asia and China to Africa. The UAE's business dealings with the Americas and Latin America are also increasing.

Dynamic policy environment – attracting talent, developing technology and new industries. The country rebounded very quickly from the pandemic and succeeded in opening its economy because of its policy of vaccinating early. Many companies from China, which has a zero COVID policy, Russia and Ukraine have moved to the UAE because of its world-class infrastructure and the ease of doing business here.

GDP expected to grow by 6.5% in 2022 (ADCB) – helped by the expansion of non-oil activity and spare oil production capacity. The UAE has also frontloaded its energy investments, bringing forward plans to increase oil production capacity by 1 million barrels a day to 5 million bbl from the original target of 2030 to 2025.

Diversifying its non-oil sector – developing new high-skill industries and attracting talent for it, aided by the country's flexible labour market while the rest of the global economy is suffering from a loss of manpower.

Advanced transition policy – with over 20% of its domestic energy consumption coming from renewables. And when the country's nuclear facility is fully commissioned, it will account for over 20% of UAE energy consumption. There's also big focus across the UAE on both blue and green hydrogen.

OPERATION 300 Billion

The UAE launched 'Operation 300 billion' in 2021 to enhance the role of the country's industrial sector in the national economy. The strategy aims to raise industry's contribution to GDP to AED 300 billion by 2031 from AED 133 billion in 2021. It has also already commitment to offtake manufacturing opportunities for industrial investors to a value of AED 110 billion by 2031. Emirates Development Bank, the government's strategic partner for the Operation AED 300 billion industrial strategy has already financed AED 2 billion of industrial projects in less than two years.

His Excellency Omar Al Suwaidi, Undersecretary at the Ministry of Industry and Advanced Technology said: "Coincidentally, when we launched our industrial strategy AED 300 billion last year, we worked with a lot of stakeholders, including the Department of Economic Development and ADIO, on setting up more enablers for companies to do business in the UAE. It just happened to be at a time when there was a global energy supply crunch and prices. I think that really complements our messaging."



Abu Dhabi to Triple Industrial Output

Abu Dhabi aims to more than double industrial output to AED 178 billion by 2031 and add more than 13,000 jobs over the same period. The emirate wants to turn itself into an attractive manufacturing hub by focusing on multiple sectors, including chemicals, pharmaceuticals, transportation and food processing as well as improving the services sector and infrastructure. The country's Department of Economic Development is collaborating with financial institutions and the private and public sector to ensure state-of-the-art regulation, services and incentives.

ICV Priority in Procurement

In-country value is being given priority in procurement by local governments and government related entities in Abu Dhabi. The ICV score now receives a 40% weighting in commercial evaluation in procurement to ensure that entities that have a greater economic impact in the country win more tenders. The programme has been expanded from the Ministry to the Federal level, including to semi-government entities like Aldar Properties, Adnoc and Mubadala. The government has also announced a golden list of locally manufactured products for procurement.

Competitive Electricity & Gas Prices

In 2019, Abu Dhabi announced an electricity tariff incentive program to support industry by providing power at a flat rate of 20 fils per kilowatt hour through the year for Category A consumers. That compares with an average tariff of 63 fils per kilowatt hour for industrial consumers in France. It will also provide gas at AED 7 per mmbtu, versus a price of AED 125 per mmbtu in France, to all participating entities. This includes all manufacturing companies in the emirate of Abu Dhabi. Between 2019 and 2021, Abu Dhabi invested more than AED 1 billion in this program.

Land Rental Rebates

The government provides incentives on land rentals. A new investor in Abu Dhabi will receive a rent rebate on industrial land of up to AED 5 per square metre on the mainland, outside the free zones. The government is collaborating with participating entities such as Abu Dhabi Ports and TA'ZIZ to ensure competitive prices.

ADNOC – Boosting Localisation

The Abu Dhabi National Oil Company is part of the 'Make It in the Emirates' campaign and as one of its' National Champions, has committed to localising about AED 70 billion of the AED 300 billion industrial output target set by the government. As of November, ADNOC had committed to AED 22 billion. The UAE is an attractive location to build grassroots projects. Several companies have moved their exporting entities from Asia to the UAE for a variety of reasons, including energy prices, land, availability of human capital, the openness of the country, incentives, and government subsidies.

Local Manufacturing Guarantees Production Continuity

ADNOC has a very aggressive business plan for increasing local manufacturing since it also improves business continuity and sustainability of production. COVID and the related issues with supply chains have pushed the company to accelerate this. ADNOC has identified 100 products under different categories – such as drilling, instruments, electrical, mechanical – which it aims to have manufactured locally, backed by both domestic demand and demand for exports. Policy makers, companies and the financial sector are all on board for a strategy that creates a competitive and collaborative environment for business in Abu Dhabi.



TA'ZIZ – Chemicals to Boost Growth

TA'ZIZ (which in Arabic means advancement, strengthening, or creating a foundation) is a joint venture between ADNOC and ADQ, a diversified industrial holding company based in Abu Dhabi. It is a key element of ADNOCs downstream growth strategy. TA'ZIZ is building an Industrial Chemicals Zone in al Ruwais, co-investing with international companies to develop downstream products. Projects are currently in the design phase and expected to start operations in 2025. The company's Light Industrial Zone will accommodate smaller downstream companies and it will also have a Light Services Zone for service providers, SMEs and suppliers who will supply the region.

Plethora of Projects Planned

In December 2021, TA'ZIZ and India's Reliance Industries Ltd. agreed to launch TA'ZIZ EDC & PVC, a world-scale chemical production partnership at the industrial chemicals zone, at an investment value of above \$2 billion. This will mark the first production of these chemicals in the UAE and will enable import substitution, the creation of new local value chains and meet growing global demand.



TA'ZIZ has signed partnership agreements with Fertiglobe, GS Energy, and Mitsui for the proposed development of a low-carbon ammonia production facility, and with Switzerland's HELM Proman Methanol AG for a world-scale methanol production facility. It is also evaluating future growth with a focus on the gas value chain.

TA'ZIZ plans to build a strong infrastructure and offer competitive logistic services that will help companies reduce capital expenditure and provide skilled employees to reduce operating expenditure.

ADIO – Facilitating Business Access

The Abu Dhabi Investment Office has been mandated to promote Abu Dhabi as a robust business destination. It aims to attract companies to the emirate and help those that are already here, to expand, through its access to policy makers, infrastructure entities, funding institutions, the private sector and talent.

Local Market Nuances

ADIO helps companies understand the local market and navigate policies and regulations. It helps companies with their business plans and studies their data to ensure that they have a bankable, feasible and suitable project for Abu Dhabi. If a company is bringing in new technology or a service and wants to run a pilot project before deciding to invest, ADIO helps with the validation exercise.

ADIO helps companies find business partners in Abu Dhabi, many of which are focused on industry, oil and gas and the petrochemicals sectors. It also helps firms raise capital via its relationships with financial institutions and state-owned investment firms such as

Mubadala. It works with private companies in private equity, venture capital and direct investment structures.

ADIO registers companies and helps them benefit from all the available programs in Abu Dhabi. It recently signed an MoU with MOIAT to try and create offtake agreements between local buyers and companies that would set up production lines in Abu Dhabi.

ADIO also helps companies find appropriate locations in the many specialized economic zones in Abu Dhabi, carrying out site analyses.

Signature Programs

Through its Innovation program, ADIO helps companies in fintech, healthtech, agritech and ICT, meet part of their project costs. ADIO is the central government agency that helps form private sector consortiums for public private partnerships. If a company wants to carry out a PPP project with physical or digital infrastructure in public services, it can reach out to ADIO. We are also responsible for attracting investment in government-owned land and other public assets.



Case Study – Schneider Electric

Schneider Electric provides energy and automation digital solutions for efficiency and sustainability for homes and businesses. It has been in the UAE for 35 years and has 1,000 employees and more than 10,000 others by delegation to subcontractors.

Its EcoStruxure business provides Internet of things-enabled, plug-and-play, open, interoperable architecture and platform, in homes, buildings, data centres, infrastructure and industries. EcoStruxure uses advancements in IoT, mobility, sensing, cloud, analytics and cybersecurity to deliver innovation. Schneider Electric also examines how increasing digitalisation and electrification create new opportunities for companies to evolve their low-voltage electrical distribution business.

The global supply chain crisis triggered a change in strategy at Schneider Electric. The company now plans to produce closer to its markets and it will not use any of its global factories as a single source for any of its products. The markets that are booming in the world currently are in the Middle East.

We are lucky to be in a region where there is growth. As this part of the world is thriving, we are localizing a lot of our activities here. Manufacturing here for Africa is definitely one of our ambitions and a feasible option because of the free trade agreements.



Walid Sheta, Zone President, Middle East & Africa, Schneider Electric

We want to make sure that industrial facilities are nurtured and given business so that they can thrive and eventually also export out of the UAE. The cost of energy is something that we appreciate and securing volumes will help very much.

We have audited more than 50 factories under the supervision and sponsorship of the MOIAT, to decarbonize and make them more sustainable. We have invested in technologies locally and we are proud to be partnering with the government on that.



Case Study -Veolia Middle East

Veolia designs and deploys water, waste and energy management solutions which contribute to the sustainable development of cities and industries. These three complementary activities allow Veolia to help develop access to resources as well as preserving and renewing available resources. Veolia is a world leader in ecological transformation with 220,000 employees globally.

For the past 35 years, Veolia Middle East has been supporting the public sector and industries to meet their biggest challenges in terms of resource efficiency, growth, compliance, workforce safety and digitisation. Through public-private partnerships and innovative contractual schemes, Veolia is committed to achieving quantifiable results with sustainable, pragmatic environmental solutions.

Present in 10 countries with headquarters in Dubai, Veolia's clients and stakeholders benefit from the proximity of our experts across the region. Veolia started with big infrastructure projects in water, wastewater and desalination in the region. It has since diversified its business in the UAE to include industrial services, energy efficiency, recycling, and other activities.

Protecting the environment and finding alternative energy sources is at the heart of Veolia's strategy and ecological transformation. In the past three years, this activity has accelerated. We need to make sure that the recycling value chain is well structured between



Ronald Richa, General Manager - Plastic Recycling – Repeat, Veolia Middle East

the recyclers, investors and most importantly the primary end users – they are all here. And this is where the industry plays a role and where standards are important. The Abu Dhabi Investment Office has also helped us with our investment and energy cost.

Industries today feel the need to change the way they are using energy. They are also looking at ways to treat their water use more efficiently. Regulations are pushing them to be greener. International brands have a very strong commitment to recycling, and this is also creating a growth opportunity. A study done in the UAE three years ago on plastic recycling showed that it could become a AED 1.2 billion market.

ROUNDTABLE PARTICIPANTS

- MOIAT - H.E. Omar Al-Suwaidi, Undersecretary, UAE Ministry of Industry & Advanced Technology
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- Amethyste - Agnès Gaillard, Chairman
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- Comeca Middle East and QFZ - John Lynch , Managing Director
- Curistec - Axel Bois, Chief Executive Officer
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- Energy Pool - Sofiane Sarra, Head of Energy Pool Middle East
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